

Annual Accounts 2010/11

Borough of Broxbourne

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Contents

	Page
Foreword to the Annual Accounts	1
Movement in Reserves Statement	5
Comprehensive Income and Expenditure Statement	6
Balance Sheet	7
Cash Flow Statement	8
Notes to the Core Financial Statements	9
Collection Fund Income & Expenditure Account	
- Account	52
- Notes	53
Annual Governance Statement	55
Statement of Responsibilities for the Statement of Accounts	61
Certificate of Chief Finance Officer	61
Approval of the Statement of Accounts	61
Report of the Auditors	62
Glossary of Financial Terms	64

Foreword to the Statement of Accounts 2010/11

Introduction

These financial statements show how the services provided by the Council have been paid for and what has happened to the money raised from the taxpayer.

The purpose of this foreword is to introduce the financial statements, to summarise the Borough's financial position and to point out some of the key financial issues facing Broxbourne.

Financial Strategy

The Council's medium-term financial plan provides a framework to support the overall aims of the authority and its partners. The Council's overall financial objectives as set out in the current plan are:

- to direct resources towards the Community's goals and priorities;
- to maintain low council tax levels, debt-free status and stable financial reserves and balances;
- to provide cost effective and affordable services;
- to plan in a prudent manner.

The means of achieving these aims vary from year to year, but will always be based on sound financial management. At 31 March 2011, revenue reserves and balances amounted to £14.7 million and the Council's investment portfolio totalled £50.2 million, including £3.0 million of long term investments and £7.3 million invested in money market funds, which are classified as cash equivalents in the Balance Sheet.

Review of the Year

Government support for the Council's spending increased by 1.1% in 2010/11, compared on a like-for-like basis to the previous year. Band D council tax was retained at £113.24 and was the lowest council tax set by any shire district in England (including parish precepts). The balance of the Council's expenditure to be met by local taxpayers and Government grant in the year was £11.0 million.

At the year end, there was a decrease in the General Fund balance of £9,000, compared with an estimated increase of £3,000. Significant variations from budget and the reasons for these are set out below:

	Variance (Fav)/Adv £000	Variance (Fav)/Adv %
Employee costs	121	1.3%
Overall salary savings, after accounting adjustments for pension costs and holiday pay earned have been offset by salaries in lieu of notice, agency and casual staff and redundancy costs.		
Premises costs	(172)	(4.5%)
Fewer than anticipated empty commercial properties resulted in a lower than expected business rates liability. Some planned repairs were also deferred to 2011/12.		
Supplies and Services	37	0.8%
Savings were achieved on advertising staff vacancies, disposal of street arisings and the Local Development Framework Core Strategy examination in public. Additional costs were incurred on the construction of vehicle crossovers (offset by additional income) and funding of Police Community Support Officers. The share of parking income payable to Lee Valley Regional Park Authority was higher than budgeted, reflecting higher total income.		
Agency and contracted services	(98)	(2.3%)
Savings have been achieved on the waste and recycling and street cleansing services. These were offset by the construction of more brick graves than planned and an unbudgeted contribution to the dial-a-ride scheme.		
Provisions for bad and doubtful debts	(72)	(43.6)%
Provisions made against commercial property rents, benefit overpayments and homeless hostel debts were lower than budgeted.		
Benefit payments	3,876	11.5%
There was a further significant increase in claims for housing and council tax benefit due to the economic climate, which is offset by benefit subsidy from central Government.		
Government grants	(3,875)	(11.2%)
The significant increase in claims for housing and council tax benefit is reflected in increased Government subsidy.		

Foreword to the Statement of Accounts 2010/11

	Variance (Fav)/Adv £000	Variance (Fav)/Adv %
Other grants and contributions	(431)	(20.7%)
A refund of historical VAT payments was received. The value of housing benefit overpayments invoiced was also significantly higher than budgeted.		
Rents	(39)	(1.3%)
Commercial property occupancy rates were higher than budget, given the economic climate.		
Sales	(86)	(16.0%)
Sales of recyclables including glass, plastic, paper and cardboard were all higher than expected. Demand for extra bins and sacks also remained high.		
Fees and charges	(108)	(2.9)%
Income from vehicle crossovers, including at the Olympic Site, was significantly above budget, as were fees received from car park season tickets, burials and community care alarms. Income from planning applications however was significantly lower than budgeted.		
Agency reimbursements	(17)	(21.4%)
An increased contribution was received from Hertfordshire County Council for waste transportation.		

Both of the Council's service organisations traded at a surplus in 2010/11. Part of those surpluses was transferred to earmarked reserves to provide for potential trading deficits and capital requirements over the medium term. An amount of £104,000 generated by Broxbourne Services was retained in the General Fund.

During the year, the Council invested around £7.9 million in capital projects compared with a budget of £11.8 million. The variance is due largely to slippage on major projects, including affordable housing, Waltham Cross renaissance and station car park and Cheshunt Cemetery extension. During the year the Council invested in affordable housing in conjunction with partners (£1.7 million) and awarded grants to enable the adaptation of private sector housing for the needs of disabled residents (£0.5 million). Other significant capital projects included a strategic land purchase (£1.5 million), improvements to the Council's sport, leisure, recreation and youth facilities (£0.8 million), town centre and environmental improvement works (£0.6 million) and vehicles, plant and equipment (£0.4 million). Capital expenditure in 2010/11 was financed from capital receipts (£3.9 million), grants and other external contributions (£3.2 million) and revenue contributions (£0.8 million).

The Statement of Accounts

The Council's Statement of Accounts is prepared in accordance with the *CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (The Code)*. The Code is the first to be based on International Financial Reporting Standards (IFRS). The move to an IFRS-based Code from a UK GAAP-based Statement of Recommended Practice results in a number of significant changes in accounting practice, presentation and terminology.

The key accounting changes, include:

- Grants and contributions for capital purposes are recognised as income immediately rather than being deferred and released to revenue to match depreciation;
- There is a greater emphasis on component accounting, and a greater emphasis on derecognising parts of an asset that are replaced;
- Property leases are classified and accounted for as separate leases of land and buildings. Some other arrangements that contain the substance of a lease are also required to be accounted for as such;
- Investment properties are measured at fair value, with gains and losses recognised in the General Fund rather than through the revaluation reserve;
- Impairment losses are taken initially to the revaluation reserve to the extent that there is a balance on that reserve relating to the specific asset;
- All employee benefits are accounted for as they are earned by the employee, which requires accruals for items such as holiday pay.

The Council's accounting policies at note 1 have been revised to comply with the requirements of IFRS. The change to IFRS also requires that the Statement of Accounts is presented in a new format and introduces new core statements and notes to the accounts. The Code introduces the Movement in Reserves Statement, which along with its related notes replaces the Statement of Movement on the General Fund Balance and the movement in reserves

Foreword to the Statement of Accounts 2010/11

note. The Comprehensive Income and Expenditure Statement replaces the Income and Expenditure Account and the Statement of Recognised Gains and Losses and there are also changes to the format of the Balance Sheet and Cash Flow Statement.

The Code requires that income and expenditure, which is analysed in the Comprehensive Income and Expenditure Statement on the basis of the *CIPFA Best Value Accounting Code of Practice*, is also analysed based on the reporting structures that the Council uses for decision making. This analysis is shown in note 25, together with a reconciliation to the Comprehensive Income and Expenditure Statement.

With the adoption of IFRS, the reported figures for 2009/10 have been restated in order to provide meaningful comparative figures and correct opening balances.

Significant Movements in the Statement of Accounts

Comprehensive Income and Expenditure Statement - There are a number of significant movements in this statement, which result in a total movement in Comprehensive Income and Expenditure of £31.3 million:

- Expenditure on cultural, environmental, regulatory and planning services has reduced by £5.2 million, due mainly to a significant impairment loss in 2009/10;
- Pension increase assumptions are now based on the Consumer Price Index (CPI) rather than the Retail Price Index (RPI), which result in a past service gain of £8.0 million, shown as non distributed costs;
- There were actuarial gains on the pension fund of £10.2 million due mainly to positive asset returns, compared with losses in the previous year of £16.8 million.

Revaluation of land and buildings - The Council revalues its investment properties annually. In 2010/11 the value of investment properties fell by £2.9 million. This is primarily due to a downward revaluation of industrial units, reflecting market conditions.

Reduction in pension liability - The Statement of Accounts shows a pension liability at 31 March 2011 of £12.3 million compared with £29.9 million at 31 March 2010. The reduction in the deficit is due mainly to positive asset returns and falling long term inflation expectations together with the change from CPI to RPI.

Investments and cash equivalents - The increase in short term investments and decrease in cash equivalents reflect changes in the Council's investment portfolio. Funds held in bank deposit accounts at 31 March 2010 were held as fixed term deposits with banks and other financial institutions at 31 March 2011.

Summary of Financial Statements

The Movement in Reserves Statement is the first core statement. It shows the movement in the reserves held by the Council analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. Total reserves at 31 March 2011 were £113.9 million compared with £100.1 million at 31 March 2010. The Movement in Reserves Statement reconciles the £13.7 million surplus on the Comprehensive Income and Expenditure Account to the movement in the General Fund balance and its accompanying note (Note 6) provides a breakdown of the adjustments between the accounting basis and funding basis under regulations. These include reversals of depreciation and the adjustments made to comply with International Accounting Standard 19 (employee benefits), entries relating to the financing of capital expenditure from revenue and vice versa, gains on the revaluations of non-current assets and actuarial gains and losses on the pension fund.

The Comprehensive Income and Expenditure Statement is the primary statement illustrating performance. It summarises the income receivable and expenditure incurred in operating the Council for the year. The statement shows a surplus for 2010/11 of £13.7 million which represents the amount by which income is greater than expenditure. Note 6 reconciles the surplus on the Comprehensive Income and Expenditure Statement to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The Comprehensive Income and Expenditure Statement is statement is prepared in accordance with the *CIPFA Best Value Accounting Code of Practice*, which ensures that all authorities' accounts are prepared on a consistent basis. Income and expenditure is analysed in note 25 based on the reporting structures that the Council uses for decision making.

The Comprehensive Income and Expenditure Statement is backed-up by the Cash Flow Statement which shows all of the Council's transactions with its taxpayers, its customers, the Government and other parties in cash terms. The Balance Sheet summarises the Council's assets, liabilities and reserves. At 31 March 2011, the Council's net worth was £114 million compared to £100 million at 31

Foreword to the Statement of Accounts 2010/11

March 2010. The Balance Sheet is less detailed than previously, with supporting analysis now being shown in various notes to the core financial statements. Other notes provide analysis of various categories of income and expenditure and the additional information that the Council is required to disclose, such as details of capital expenditure and sources of finance, officers' remuneration and information on pensions.

There are no significant provisions or contingencies included in the Statement of Accounts as at 31 March and, with the exception of the downward revaluation of industrial units mentioned previously, there were no material write offs during the year.

As well as collecting its own tax, Broxbourne collects business rates on behalf of the Government and council tax on behalf of Hertfordshire County Council and the Police Authority (as precepts on the council tax). All of this activity is summarised in the Collection Fund Account.

The Annual Governance Statement describes the Council's governance framework, sets out how it has reviewed its governance arrangements and discloses the actions taken, or proposed, to deal with significant governance issues. The statement is signed by the Leader of the Council and the Chief Executive Officer.

The Statement of Responsibilities for the Statement of Accounts outlines the responsibilities of the Council and of the Chief Finance Officer and the Certificate of the Chief Finance Officer is my statement that I confirm the validity of the information presented in the accounts. I have considered whether any material events have occurred since 31 March 2011 and have concluded that no events have occurred that require to be disclosed.

The Report of the Auditors provides an opinion as to whether the accounts present a true and fair view of the Council's financial position.

The Statement of Accounts concludes with a glossary of financial terms, designed to assist the reader in understanding the information presented.

The economic climate

The Council is currently facing and will continue to face an unprecedented range of financial challenges over the coming months and years. The economic climate has impacted on the Council in several ways. Our investment properties were revalued at 31 March 2011 and their value was considered to have reduced as a result of economic conditions. Payments of housing and council tax benefit increased by £3.4 million compared with the previous year, as the benefits caseload continues to grow.

Formula grant will reduce by £1.3 million over the two years to 2012/13. The Council achieved budget savings of £0.8 million in 2011/12 and a medium term savings programme will continue. The Council has healthy levels of reserves and balances and in 2010/11, set aside £1.5 million in a service protection and enhancement fund to enable it to meet the financial challenges ahead, without adversely impacting on services to residents.

Conclusion

The Council's accounts are prepared based on statute and best practice. Their prime aim is to give local taxpayers and other stakeholders clear information about the Council's activities. They assist electors, taxpayers, members and other interested parties in forming a judgement about the performance of the Council. The statements that make up the Council's accounts for 2010/11 demonstrate that we continue to manage our responsibilities well. The Council's healthy financial position means that it is able to meet future financial challenges from a position of strength.

G F Clelland BA CA
Director of Resources

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (those that can be used to fund expenditure) and other reserves.

Note	General Fund Balance £000	Earmarked Reserves £000	Capital Grants Unapplied £000	Capital Receipts Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2009 Restated	6,650	4,618	431	38,996	50,695	67,049	117,744
Movement in Reserves during 2009/10							
Deficit on provision of services	(8,293)	-	-	-	(8,293)	-	(8,293)
Other comprehensive expenditure	-	-	-	-	-	(9,267)	(9,267)
Total Comprehensive Income and Expenditure	(8,293)	-	-	-	(8,293)	(9,267)	(17,560)
Adjustments between accounting basis and funding basis under regulations	9,909	-	318	(2,914)	7,313	(7,313)	-
Net increase/(decrease) before transfers to Earmarked Reserves	1,616	-	318	(2,914)	(980)	(16,580)	(17,560)
Transfers (from)/to Earmarked Reserves	(2,076)	2,076	-	-	-	-	-
Increase/(decrease) in year	(460)	2,076	318	(2,914)	(980)	(16,580)	(17,560)
Balance at 31 March 2010 Restated	6,190	6,694	749	36,082	49,715	50,469	100,184
Movement in Reserves during 2010/11							
Surplus on provision of services	3,534	-	-	-	3,534	-	3,534
Other comprehensive income	-	-	-	50	50	10,162	10,212
Total Comprehensive Income and Expenditure	3,534	-	-	50	3,584	10,162	13,746
Adjustments between accounting basis and funding basis under regulations	(1,725)	-	(153)	(2,453)	(4,331)	4,331	-
Net increase/(decrease) before transfers to Earmarked Reserves	1,809	-	(153)	(2,403)	(747)	14,493	13,746
Transfers (from)/to Earmarked Reserves	(1,818)	1,818	-	-	-	-	-
Increase/(decrease) in year	(9)	1,818	(153)	(2,403)	(747)	14,493	13,746
Balance at 31 March 2011 carried forward	6,181	8,512	596	33,679	48,968	64,962	113,930

Comprehensive Income and Expenditure Statement

This statement summarises the resources that have been generated and consumed in providing services and managing the Council during the year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions not taken into account in setting council tax measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

	2009/10		2010/11	
	Gross Expend- iture	Gross Income	Net Expend- iture	Gross Income
	£000	£000	£000	£000
Central services to the public	9,514	8,039	1,475	8,427
Cultural, environmental, regulatory and planning services	21,950	8,711	13,239	9,103
Highways, roads and transport services	4,904	2,210	2,694	1,063
Housing services	33,731	28,614	5,117	31,211
Adult social care	874	499	375	501
Corporate and democratic core	1,789	317	1,472	215
Non distributed costs	-	-	-	(7,962)
Cost of Services	72,762	48,390	24,372	50,520
Other Operating Expenditure	313			330
Financing and Investment Income and Expenditure	(2,416)			1,938
Taxation and Non-Specific Grant Income	(13,976)			(15,914)
Deficit/(surplus) on provision of services	8,293			(3,534)
(Surplus) or deficit on revaluation of non current assets	(7,513)			27
Actuarial losses/(gains) on pension assets/liabilities	16,780			(10,239)
Other Comprehensive Income and Expenditure	9,267			(10,212)
Total Comprehensive Income and Expenditure	17,560			(13,746)

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date (31 March 2011) of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

		31 March 2011 £000	31 March 2010 Restated £000	1 April 2009 Restated £000
	Note			
Property, Plant and Equipment	11	41,215	41,333	44,145
Investment Property	11, 12	35,276	38,150	33,553
Intangible Assets	11, 13	431	511	488
Long Term Investments	14(a)	3,039	3,037	9,031
Long Term Debtors	14(a), 17	549	360	305
Non Current Assets		80,510	83,391	87,522
Short Term Investments	14(a)	39,838	32,767	36,072
Inventories	16	101	126	102
Short Term Debtors	17	4,192	4,264	7,718
Cash and Cash Equivalents	14(a), 18	7,158	15,983	7,090
Current Assets		51,289	53,140	50,982
Short Term Creditors	19	5,479	6,398	9,227
Current Liabilities		5,479	6,398	9,227
Long Term Creditors	20	12,390	29,949	11,533
Non Current Liabilities		12,390	29,949	11,533
Net Assets		113,930	100,184	117,744
Unusable Reserves	21	64,962	50,469	67,049
Usable Reserves	Page 5	48,968	49,715	50,695
Total Reserves		113,930	100,184	117,744

Cash Flow Statement

This consolidated statement summarises the Council's inflows and outflows of cash and cash equivalents arising from transactions with third parties for revenue and capital purposes.

Transfers between internal funds and accruals of expenditure and income are therefore excluded.

		31 March 2011 £000	31 March 2010 £000
	Note		
Net (surplus)/deficit on the provision of services		(3,534)	8,293
Realised revaluation gain in other Comprehensive Income and Expenditure		(50)	-
Adjustments to net surplus or deficit on the provision of services for non cash movements		1,180	(13,397)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		4,659	2,137
Net cash flows from operating activities		2,255	(2,967)
Investing activities	23	7,503	(5,588)
Financing activities	24	(933)	(338)
Net (increase)/decrease in cash and cash equivalents		8,825	(8,893)
Cash and cash equivalents at 1 April		15,983	7,090
Cash and cash equivalents at 31 March		7,158	15,983

Notes to the Core Financial Statements

Note 1 - Statement of Accounting Policies

Statement of Accounting Policies

1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2010/11* and the *Best Value Accounting Code of Practice 2010/11*, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefit associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that may not be collected.

3 Cash and Cash Equivalents

Cash is represented by cash in hand and 'callable' deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature on demand and are therefore readily convertible to known amounts of cash with insignificant risk of change in value.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Deposits placed with a maturity date at some point in the future are not highly liquid. These deposits may attract a penalty if repayment was requested and the institution is not contractually bound to repay the deposit to the Council. It is considered highly unlikely that the Council would need to call on a deposit that had been placed and therefore only classifies cash, bank, HSBC deposit account and the Money Market Funds as cash and cash equivalents.

4 Exceptional Items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to aid understanding of the Council's financial performance.

5 Prior Period Adjustments, changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting estimates are accounted for in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effects of transactions, other events and conditions on the Council's financial

Notes to the Core Financial Statements

Note 1 - Statement of Accounting Policies (continued)

position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6 Charges to Revenue for Non-Current Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. Depreciation, revaluation and impairment losses and amortisations are therefore removed from the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

7 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to

revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Post Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme administered by Hertfordshire County Council. This is accounted for as a defined benefits scheme:

- the liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of future earnings for current employees.
- liabilities are discounted to their value at current prices, using a discount rate of 5.4% (2009/10 5.5%) (based on the indicative rate of return on high quality corporate bond – the iboxx Sterling Corporates Index, AA over 18 years).
- the assets of the Hertfordshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value
- the change in the net pensions liability is analysed into seven components:
 - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

Notes to the Core Financial Statements

Note 1 - Statement of Accounting Policies (continued)

- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
- Contributions paid to the Hertfordshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the

notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any amounts payable to the fund but unpaid at the year-end

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

8 Events After the Balance Sheet Date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

9 Financial Instruments

Financial Instruments fall into Financial Liabilities and Financial Assets. As a debt-free authority, the Council only deals with financial assets.

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Available for Sale Assets

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction, it is reclassified as an Asset Held

Notes to the Core Financial Statements

Note 1 - Statement of Accounting Policies (continued)

for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

10 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and

- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited in the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits are required to be consumed by the Council as specified, or the grant or contribution must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or to Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

11 Intangible Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

Any gain or loss arising on the disposal of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

12 Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

13 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The

Notes to the Core Financial Statements

Note 1 - Statement of Accounting Policies (continued)

definition is not met if the property is used in any way to facilitate the delivery of services or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end.

Rentals received are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance.

14 Leases

Finance Leases

A finance lease is recognised in the accounts when substantially all the risks and rewards incidental to ownership of the property, plant or equipment transfer to the Council. These are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Leases that do not meet the definition of finance leases are classified as operating leases.

Operating Leases

Rentals payable are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefiting from the use of the leased property, plant or equipment. Charges are made on a straight-line basis over the term of the lease.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this accounting policy where fulfilment of the arrangement is dependent on the use of specific assets.

15 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP).

The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary

benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

16 Property, Plant and Equipment

Assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis are classified as Property, Plant and Equipment.

Recognition: expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits associated with the item will flow to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standard of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred. The Council has selected a *de minimis* level of £3,000 below which, expenditure is not capitalised.

Measurement: assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Assets included in the Balance Sheet at fair value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss due to market price fluctuations previously charged to a service revenue account.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date

Notes to the Core Financial Statements

Note 1 - Statement of Accounting Policies (continued)

of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment: the values of each category of Property, Plant and Equipment and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for in the following ways:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Depreciation: depreciation is provided for on all Property, Plant and Equipment assets with a determinable finite life (except for non-depreciable land), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant and equipment – straight line over 3-12 years, as advised by a suitably qualified officer
- Infrastructure (e.g. roads, footpaths, street furniture) – straight-line allocation, up to 5 years.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale: when it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before classification and then carried at the lower of this amount and fair

value less costs to sell. Depreciation is not charged on Assets Held for Sale.

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

17 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment

Notes to the Core Financial Statements

Note 1 - Statement of Accounting Policies (continued)

required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service if it is virtually certain that reimbursement will be received if the obligation is settled.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises when an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefit or service potential.

18 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be

financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, employee and retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

19 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of council tax.

20 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

Note 2 – Accounting Standards Issued, but Not Yet Adopted

The Council has not yet adopted FRS 30 - Heritage Assets.

The standard covers heritage assets that are kept principally for their contribution to knowledge and culture, regardless of whether these assets are reported in the Balance Sheet. New disclosures will provide information about the Council's total holding of heritage assets and its stewardship of these assets.

Heritage assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, civic regalia, museum and gallery collections and works of art.

Notes to the Core Financial Statements

Note 3 – Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

Note 4 – Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from assumptions and estimates.

Item	Uncertainties	Effect if Actual Results Differ from Assumption
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	<p>The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £5.8 million.</p> <p>However, the assumptions interact in complex ways. During 2010/11, the Council's actuaries advised that the net pensions liability had decreased by £17.5 million, and although a large proportion of this is attributable to the national decision to link future increases to CPI inflation, rather than RPI, the balance is a result of changes in estimates and the updating of the assumptions.</p>
Arrears	At 31 March 2011, the Council had a balance of sundry debtors of £4.088m. A provision for the impairment of doubtful debts is made at each year end, based on a combination of how long the debt has been outstanding and previous experience of recovery rates. However, the current economic climate means that there is added uncertainty about both the amount of income that the Council is likely to raise and the likely recovery rates.	<p>The wide variety of income sources and the different factors affecting each make it difficult to assess the potential impact of future changes. The total income raised by the Council in 2010/11 from Sales, Fees and Charges and Rents was £14.4 million therefore the impact of a 2% decrease in collection rates would be a loss of income of £0.3 million.</p>

Note 5 – Events After the Balance Sheet Date

Events after the Balance Sheet date are reflected up to the 'authorised for issue' date. These accounts have been authorised for issue on 30 June 2011 by the Director of Resources (Chief Finance Officer). It is not considered that any adjusting or non-adjusting events have occurred.

Notes to the Core Financial Statements

Note 6 – Adjustments between Accounting Basis and Funding Basis under Regulations

The purpose of this note is to explain the adjustments which are made to the total Comprehensive Income and Expenditure Statement and on the funding sources that are allowed by statute as being available to the Council to meet future capital and revenue expenditure.

	Usable Reserves 2010/11			Unusable Reserves
	General Fund Balance	Capital Grants Unapplied	Capital Receipts Reserve	
2010/11	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
<i>Reversal of items included in the Comprehensive Income and Expenditure Statement:</i>				
Charges for depreciation and impairment of non-current assets	(2,574)			2,574
Revaluation gain on Property Plant and Equipment	55			(55)
Movements in the market value of Investment Properties	(4,708)			4,708
Amortisation of intangible assets	(183)			183
Capital grants and contributions applied	3,032			(3,032)
Revenue expenditure funded from capital under statute	(3,207)			3,207
<i>Insertion of items not included in the Comprehensive Income and Expenditure Statement:</i>				
Capital expenditure charged against the General Fund	757			(757)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(24)	24		-
Application of grants to capital financing transferred to the Capital Adjustment Account	35	129		(164)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	(297)		(3)	300
Use of the Capital Receipts Reserve to finance new capital expenditure			3,967	(3,967)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(33)		33	-
Other capital related income credited to the Comprehensive Income and Expenditure Statement	1,544		(1,544)	-

Notes to the Core Financial Statements

Note 6 – Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

	Usable Reserves 2010/11			Unusable Reserves £000
	General Fund Balance £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000	
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited to the Comprehensive Income and Expenditure Statement (see Note 35)	5,858			(5,858)
Employer's pension contributions and direct payments to pensioners payable in the year	1,416			(1,416)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	124			(124)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(71)			71
Total Adjustments	1,725	153	2,453	(4,331)

Notes to the Core Financial Statements

Note 6 – Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

2009-10	Usable Reserves 2009/10			Unusable Reserves £000
	General Fund Balance £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000	
Adjustments primarily involving the Capital Adjustment Account:				
<u>Reversal of items included in the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non-current assets	(2,192)			2,192
Revaluation losses on Property Plant and Equipment	(6,945)			6,945
Movements in the market value of Investment Properties	1,911			(1,911)
Amortisation of intangible assets	(222)			222
Capital grants and contributions applied	1,324			(1,324)
Revenue expenditure funded from capital under statute	(4,218)			4,218
<u>Insertion of items not included in the Comprehensive Income and Expenditure Statement:</u>				
Capital expenditure charged against the General Fund	1,234			(1,234)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Application of grants to capital financing transferred to the Capital Adjustment Account	318	(318)		-
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	(308)			308
Use of the Capital Receipts Reserve to finance new capital expenditure			3,729	(3,729)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(5)		5	-
Othe capital related income credited to the Comprehensive Income and Expenditure Statement	813		(813)	-
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Transfer of deferred sale proceeds credited as part of the loss on disposal to the Comprehensive Income and Expenditure Statement			(7)	7

Notes to the Core Financial Statements

Note 6 – Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

2009-10	Usable Reserves 2009/10			Unusable Reserves £000
	General Fund Balance £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000	
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits credited to the Comprehensive Income and Expenditure Statement (see Note 35)	(3,079)			3,079
Employer's pension contributions and direct payments to pensioners payable in the year	1,444			(1,444)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(37)			37
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	53			(53)
Total Adjustments	(9,909)	(318)	2,914	7,313

Notes to the Core Financial Statements

Note 7 – Transfers to/(from) Earmarked Reserves

This note sets out the amounts which have been set aside to provide financing for future expenditure plans and the amounts transferred back from earmarked reserves to fund expenditure in 2010/11.

Movements on Earmarked Reserves in 2010/11 were as follows:

	Balance at 1 April 2010 Restated £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000
<i>Capital Reserves - General Fund</i>				
Capital and Building Works Reserve	2,812	-	388	3,200
<i>Service Organisation Reserves</i>				
Broxbourne Services SO Reserve	750	(110)	110	750
Construction Services SO Reserve	356	(356)	-	-
Leisure Services SO Reserve	165	-	41	206
	1,271	(466)	151	956
TOTAL CAPITAL RESERVES	4,083	(466)	539	4,156
<i>Revenue Reserves</i>				
Economic Development Reserve	1,100	-	-	1,100
Personnel Reserve	250	-	-	250
Grave Maintenance Reserve	14	-	3	17
Service Protection and Enhancement Fund	-	-	1,480	1,480
Housing and Planning Delivery Grant Reserve	530	(78)	-	452
Performance Reward Grant Reserve	217	(65)	71	223
Repairs and Renewals Fund	500	-	334	834
TOTAL REVENUE RESERVES	2,611	(143)	1,888	4,356
Total Earmarked Reserves	6,694	(609)	2,427	8,512
Total movement in earmarked reserves in 2010/11				1,818

These reserves are an important way of projecting the Council's current resources into the future and preparing to meet future needs. Their purposes are as follows:

- Capital and Building Works Reserve - used to finance capital works including works to the Council's buildings, as well as purchases of vehicles, plant and equipment.
- Service Organisation Reserves - used to finance purchases of vehicles and equipment for the service organisations.
- Economic Development Reserve - used to invest in the economic well being of the Borough including its town centres and the Olympic legacy.
- Personnel Reserve - to provide for potential personnel costs.
- Grave Maintenance Reserve - money received to maintain graves in perpetuity.
- Service Protection and Enhancement Fund - to protect and enhance services in future years.
- Housing and Planning Delivery Grant Reserve - to fund future expenditure associated with the local development framework.
- Performance Reward Grant Reserve - to hold performance reward grant funding for future allocation by the Local Strategic Partnership.
- Repairs and Renewals Fund - to enable accelerated maintenance of revenue generating fixed assets.

Notes to the Core Financial Statements

Note 8 – Other Operating Expenditure

	2010/11	2009/10
	£000	£000
Payments to the Government capital receipts pool	33	5
Losses on the disposal of non-current assets	297	308
Total	330	313

Note 9 – Financing and Investment Income and Expenditure

	2010/11	2009/10
	£000	£000
Pensions interest cost and expected return on pension assets	349	2,098
Interest receivable and similar income	(789)	(1,261)
Change in fair value in relation to investment properties	4,708	(1,911)
Income from trading operations not in service expenditure analysis	(2,330)	(1,342)
Total	1,938	(2,416)

Note 10 – Taxation and Non-Specific Grant Income

	2010/11	2009/10
	£000	£000
Council tax income	4,203	4,159
Non domestic rates	6,079	5,593
Non-ringfenced Government grants	1,021	1,769
Other income	1,544	813
Capital grants and contributions	3,067	1,642
Total	15,914	13,976

Notes to the Core Financial Statements

Note 11 – Non-Current Assets

2010/11	Land & Buildings £000	Vehicles Plant & Equipment £000	Infrastructure Assets £000	Total Property, Plant & Equipment £000	Investment Property £000	Total Tangible Assets £000	Intangible Assets £000	Total Assets £000
Cost or Valuation								
At 1 April 2010 Restated	36,606	8,657	2,518	47,781	38,150	85,931	2,300	88,231
Additions	263	757	1,988	3,008	1,603	4,611	103	4,714
Revaluation decreases recognised in the Revaluation Reserve	(76)	-	-	(76)	-	(76)	-	(76)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	55	-	-	55	(4,520)	(4,465)	-	(4,465)
Derecognition – disposals	(300)	(77)	-	(377)	-	(377)	-	(377)
Other reclassifications	(231)	(67)	67	(231)	231	-	-	-
at 31 March 2011	36,317	9,270	4,573	50,160	35,464	85,624	2,403	88,027
Accumulated Depreciation and Impairment								
At 1 April 2010 Restated	(159)	(5,138)	(1,151)	(6,448)	-	(6,448)	(1,789)	(8,237)
Depreciation charge	(1,054)	(959)	(561)	(2,574)	-	(2,574)	(183)	(2,757)
Impairment reversals recognised in the Surplus/ Deficit on the Provision of Services	-	-	-	-	(188)	(188)	-	(188)
Derecognition – disposals	-	77	-	77	-	77	-	77
Depreciation on reclassified assets	-	3	(3)	-	-	-	-	-
at 31 March 2011	(1,213)	(6,017)	(1,715)	(8,945)	(188)	(9,133)	(1,972)	(11,105)
Balance Sheet amount at 31 March 2011	35,104	3,253	2,858	41,215	35,276	76,491	431	76,922
Balance Sheet amount at 31 March 2010	36,447	3,519	1,367	41,333	38,150	79,483	511	79,994

Notes to the Core Financial Statements

Note 11 – Non-Current Assets

2009/10	Land & Buildings £000	Vehicles Plant & Equipment £000	Infrastructure Assets £000	Total Property, Plant & Equipment £000	Investment Property £000	Total Tangible Assets £000	Intangible Assets £000	Total Assets £000
Cost or Valuation								
At 1 April 2009 Restated	40,840	7,783	2,237	50,860	33,553	84,413	2,055	86,468
Additions	432	1,079	284	1,795	-	1,795	245	2,040
Revaluation increases recognised in the Revaluation Reserve	5,684	-	-	5,684	-	5,684	-	5,684
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(6,953)	(5)	-	(6,958)	1,911	(5,047)	-	(5,047)
Derecognition – disposals	(344)	(348)	-	(692)	-	(692)	-	(692)
Other reclassifications	(3,053)	148	(3)	(2,908)	2,686	(222)	-	(222)
at 31 March 2010	36,606	8,657	2,518	47,781	38,150	85,931	2,300	88,231
Accumulated Depreciation and Impairment								
At 1 April 2009 Restated	(1,494)	(4,385)	(835)	(6,714)	-	(6,714)	(1,567)	(8,281)
Depreciation charge	(655)	(1,085)	(452)	(2,192)	-	(2,192)	(222)	(2,414)
Depreciation written out to the Revaluation Reserve	1,273	-	-	1,273	-	1,273	-	1,273
Depreciation written out to the Surplus/Deficit on the Provision of Services	557	-	-	557	-	557	-	557
Derecognition – disposals	-	345	-	345	-	345	-	345
Other movements in depreciation and impairments	160	(13)	136	283	-	283	-	283
at 31 March 2010	(159)	(5,138)	(1,151)	(6,448)	-	(6,448)	(1,789)	(8,237)
Balance Sheet amount at 31 March 2010	36,447	3,519	1,367	41,333	38,150	79,483	511	79,994
Balance Sheet amount at 31 March 2009	39,345	3,398	1,402	44,145	33,553	77,698	488	78,186

Notes to the Core Financial Statements

Note 11 – Non-Current Assets (continued)

Capital Commitments

At 31 March 2011, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2010/11 and future years. The outstanding commitments on such schemes at 31 March 2011 were £1.037 million. The breakdown of this amount by asset category is shown below.

	£000
Operational Buildings	302
Vehicles, Plant & Equipment	233
Infrastructure Projects	310
Investment Properties	67
Intangible Assets	125
	1,037

Revaluations

Valuations of the properties which comprise the Council's property portfolio have been updated to 31 March 2011 in accordance with Module 4 of the Code of Practice on Local Authority Accounting in the United Kingdom. The valuations are in accordance with The Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual.

The majority of properties were valued at 31 March 2010, by an external valuer on the basis of open market value for the existing use or, where this could not be assessed because there was no market value for the subject asset, the depreciated replacement cost. Investment properties were valued on the basis of open market value, as at 31 March 2011 by Roland Childerhouse MRICS, Assistant Director (Property).

Investment Properties are 'non current assets held by the Council but not directly occupied, used or consumed in the delivery of services'. The Council's Investment Properties are mainly commercial and industrial properties. Other examples of these type of assets are land awaiting development and assets owned by the Council but used by others.

Valuations of vehicles, plant and equipment are based on depreciated historic cost.

	Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Total Operational Assets £000	Investment Properties £000	Total Non Current Assets £000
Value at depreciated historical cost	-	3,253	2,858	6,111	-	6,111
Valued at depreciated replacement cost in 2009/10	7,369	-	-	7,369	-	7,369
Valued at current value in 2009/10	27,002	-	-	27,002	-	27,002
Valued at current value in 2010/11	733	-	-	733	35,276	36,009
Total Net Book Value	35,104	3,253	2,858	41,215	35,276	76,491

Notes to the Core Financial Statements

Note 12 – Investment Property

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2010/11	2009/10
	£000	£000
Rental income from investment property *	3,152	3,042
Direct operating expenses arising from investment property *	(1,035)	(2,446)
Changes to fair value of investment properties **	(4,708)	1,911
Net (loss)/gain	(2,591)	2,507

* Included in 'Trading Operations' in Note 9. See also full analysis of trading operations in Note 26.

** See Note 9.

There are no restrictions on the Council's ability to realise the value of its investment property or on the Council's right to receive income from any proceeds of sale.

The following table summarises the movement in the fair value of investment property over the year:

	2010/11	2009/10
	£000	£000
Balance at 1 April	38,150	33,553
Purchases	1,603	-
Net (losses)/gains from fair value adjustments	(4,708)	1,911
Transfer from Property, Plant and Equipment	231	-
Other changes	-	2,686
Balance at 31 March	35,276	38,150

Note 13 – Intangible Assets

The Council accounts for its software as intangible assets, if that the software is not an integral part of a particular IT system and as such accounted for as part of the hardware item of Property, Plant and Equipment. Intangible assets include both purchased licences and internally generally software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are between 3 and 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £183,000 charged to revenue in 2010/11 was mainly charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading. The movement on Intangible Asset balances during the year is as follows:

	2010/11
	£000
Gross carrying amounts	2,300
Accumulated depreciation	(1,789)
Net carrying amount at 1 April	511
Purchases	103
Depreciation for the period	(183)
Net carrying amount at 31 March	431
Comprising:	
Gross carrying amounts	2,403
Accumulated depreciation	(1,972)
	431

Notes to the Core Financial Statements

Note 14 – Financial Instruments

(a) Categories of financial instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long-Term			Current		
	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
Investments						
Loans and receivables	3,039	3,037	9,031	39,838	32,767	36,072
Total investments	3,039	3,037	9,031	39,838	32,767	36,072
Debtors						
Loans and receivables	549	360	305	3,938	3,051	3,855
Total Debtors	549	360	305	3,938	3,051	3,855
Creditors						
Financial liabilities at amortised cost	-	-	-	4,754	6,707	7,809
Total creditors	-	-	-	4,754	6,707	7,809

In addition, the Council held a number of deposits at 31 March 2011 which were previously categorised as Financial Instruments, but which are now classed as 'Cash Equivalents'. These are defined as 'short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value'. For completeness, these are shown, together with the amounts of cash and bank balances, below.

	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
Cash Equivalents	7,350	15,915	6,450
Cash and Bank Balances	(192)	68	640
	7,158	15,983	7,090

(b) Income, Expense, Gains and Losses

	2010/11			2009/10
	Financial Assets: Loans and Receivables £000	Interest on VAT refund £000	Total £000	Total £000
Interest Income	617	172	789	1,261
Total Income in Surplus or Deficit on the Provision of Services	617	172	789	1,261
Net gain for the year	617	172	789	1,261

Notes to the Core Financial Statements

Note 14 – Financial Instruments (continued)

(c) Fair Values of Assets and Liabilities

Financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value is assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- where an instrument will mature in the next 12 months, carrying amount is assumed to be approximate to fair value
- the fair value of trade and other receivables and payables is taken to be the invoiced or billed amount less appropriate provision made against the risk of less than full payment.

The fair values calculated are as follows:

	31 March 2011		31 March 2010		31 March 2009	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000	£000	£000
Financial liabilities	4,754	4,754	6,707	6,707	7,809	7,809

	31 March 2011		31 March 2010		31 March 2009	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000	£000	£000
Long term investments	3,039	3,103	3,037	3,132	9,031	9,316
Short term investments	39,838	39,838	32,767	32,767	36,072	36,072
Long term debts	549	549	360	360	305	305
Short term debtors	3,938	3,938	3,051	3,051	3,855	3,855

The fair value of certain loans and receivables at the Balance Sheet date is lower than the carrying amount because the Council's portfolio of investments includes a number of fixed rate investments where the interest rate receivable is lower than the rates available for similar investments at the Balance Sheet date.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Note 15 – Nature and Extent of Risks Arising from Financial Instruments

Nature and extent of risks arising from financial instruments

The Council's activities expose it to a variety of financial risks:

- Credit risk - the possibility that other parties might fail to pay amounts due the Council
- Liquidity risk - the possibility that the Council might not have funds available to meet its commitments
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in interest rates

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried by the Resources Department under policies approved by the Council in the Annual Investment Strategy. The Council provides written principles for overall risk management and written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash are set out in the Treasury Management Policy Statement and Treasury Management Practices.

Notes to the Core Financial Statements

Note 15 – Nature and Extent of Risks Arising from Financial Instruments (continued)

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the Council's customers. Deposits are only made with building societies having minimum assets of £300 million and with banks and other financial institutions with the following minimum ratings:

	Fitch Rating
Short Term Rating	F1+
Long Term Rating	AA-
Support Rating	2
Individual Rating	B/C

The Council has set the following limits for deposits with any one counterparty:

	£ million
HSBC PLC	7.0
Barclays Bank PLC	5.0
Building societies with assets of £1 billion and over	4.0
Building societies with assets of between £300 million and £1 billion	2.0
Overseas Banks	3.0
Money Market Funds	5.0

The Council does not consider there to be any quantifiable credit risk in relation to its investments as at 31 March 2011.

In relation to the sums owed by customers, the Council makes prudent financial provision for bad and doubtful debts based on an assessment of the risks for each type of debt and the age of these debts.

The methodology adopted to determine the level of provision to be made is established having regard to the nature of the receivable including specific provision against individual items where appropriate and provision against a debt of individual items on a percentage basis. The judgement exercised has regard to the age of the receivable, historical experience of delayed collection and economic circumstances affecting debtors, including arrangement for extended payment where appropriate.

The Council's assessment of its potential maximum exposure to credit risk in relation to customer debt is as follows:

	Amount at 31 March 2011 £000	Historical experience of default %	Estimated maximum exposure to default and uncollectability £000
Deposits with banks and financial institutions	50,227	0.24	121
Customers	1,853	1.75	32

Amounts due by customers at 31 March 2010 written off during 2010/11 has been used as the basis for the historical experience default percentage.

Notes to the Core Financial Statements

Note 15 – Nature and Extent of Risks Arising from Financial Instruments (continued)

The Council does not generally extend credit to its customers beyond 14 days. At 31 March 2011, of the total debtor balances of £1.853 million, the past due amount was £0.5m, which can be analysed by age as follows:

	2010/11	2009/10	2008/09
	£000	£000	£000
Customer Debts			
Less than three months	71	156	242
Three months to one year	105	165	188
More than one year	299	255	190
Total	475	576	620

Market risk

● Liquidity risk

The Council is currently debt free and has no intention to borrow in the medium term. Should the Council choose to borrow, however, it would have ready access to borrowings from the Public Works Loan Board and the money markets. Immediately accessible funds are also maintained in call accounts and money market funds within investments. The level of funds to be committed for periods in excess of one year is determined having regard to future cash flow requirements and is limited to 50% of the total investment portfolio. There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

All trade and other payables are due to be paid in less than one year.

● Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments.

A rise in interest rates would have the following effects:

- investments at variable rates - the interest income credited to the Comprehensive Income and Expenditure Statement will increase
- investments at fixed rates - the fair value of the assets will fall

Changes in interest receivable on variable rate investments will be debited or credited to the Comprehensive Income and Expenditure Account and impact on the General Fund Balance. Movements in the fair value of fixed rate investments will be reflected in the Movement in Reserves Statement.

As at 31 March 2011, £7.354 million of the Council's investments had a potential exposure to risk from changes in interest rates.

A +/-1% change in interest rates equates to approximately +/- £74,000 per annum.

As the Council generally has a policy of making a revenue contribution to capital equal to the interest it achieved on its investments, variations in interest rates do not impact on its annual revenue budget.

● Price risk

The Council does not generally invest in equity shares.

● Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Note 16 – Inventories

	2010/11	2009/10
	£000	£000
Balance at 1 April	126	102
Purchases and issues	(25)	24
Balance at 31 March	101	126

Notes to the Core Financial Statements

Note 17 – Debtors

Short Term Debtors

	31 March 2011	31 March 2010	1 April 2009
	£000	£000	£000
Central Government departments	761	218	3,697
Other local authorities	15	762	362
Other entities and individuals	3,416	3,284	3,659
Total	4,192	4,264	7,718

Long-Term Debtors

	31 March 2011	31 March 2010	1 April 2009
	£000	£000	£000
Mortgages	32	68	76
Car loans	38	25	19
Other	479	267	210
Total	549	360	305

Note 18 – Cash and Cash Equivalents

	31 March 2011	31 March 2010	1 April 2009
	£000	£000	£000
Cash	10	10	10
Bank current accounts	(202)	58	630
Money market funds	7,350	15,915	6,450
Total Cash and Cash Equivalents	7,158	15,983	7,090

Note 19 – Short Term Creditors

	31 March 2011	31 March 2010	1 April 2009
	£000	£000	£000
Central Government departments	19	1,085	2,145
Other local authorities	633	-	-
Other entities and individuals	4,827	5,313	7,082
Total	5,479	6,398	9,227

Note 20 – Long Term Creditors and Provisions

	2010/11	2009/10
	£000	£000
Provisions		
Balance at 1 April	20	13
Additional amounts set aside	-	7
Unused amounts reversed in year	(10)	-
Balance at 31 March	10	20
Deferred Capital Receipts		
Balance at 1 April	70	76
Receipts	(36)	(6)
Balance at 31 March	34	70
Pensions Liability		
Balance at 1 April	29,859	11,444
Actuarial (gains)/losses	(10,239)	16,780
Service cost/(gain)	(7,274)	1,635
Balance at 31 March	12,346	29,859
Total	12,390	29,949

Notes to the Core Financial Statements

Note 21 – Unusable Reserves

	31 March 2011	31 March 2010	1 April 2009
	£000	£000	£000
Revaluation Reserve	10,897	11,316	3,824
Accumulated Absences Account	(100)	(29)	(82)
Capital Adjustment Account	66,498	69,152	74,825
Pensions Reserve	(12,346)	(29,859)	(11,444)
Collection Fund Adjustment Account	13	(111)	(74)
Total Unusable Reserves	64,962	50,469	67,049

(a) Revaluation Reserve

The Revaluation Reserve records, from April 2007, the accumulated gains on the non-current assets held by the Council arising from increases in value, as a result of inflation or other factors. The overall balance on the reserve represents the amount by which the current value of non-current assets carried in the Balance Sheet is greater because they are carried at their revalued amount rather than their value at 1 April 2007 or subsequent depreciated historical cost. The reserve is not available to finance either revenue or capital expenditure.

	2010/11	2009/10
	£000	£000
Balance at 1 April	11,316	3,824
Upward revaluation of assets	-	7,492
Difference between fair value depreciation and historical cost depreciation	(343)	-
Downward revaluation of asset not charged to the Comprehensive Income and Expenditure Statement	(76)	-
Balance at 31 March	10,897	11,316

(b) Accumulated Absences Account

The Accumulated Absences Account shows the difference that would otherwise arise on the General Fund Balance from accruing for untaken leave entitlement at the end of the year. Statutory arrangements require that the impact on the General Fund Balance is removed by transfers to or from this Account.

	2010/11	2009/10
	£000	£000
Balance at 1 April	(29)	(82)
Settlement or cancellation of accrual made at the end of the preceding year	29	82
Amounts accrued at the end of the current year	(100)	(29)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(71)	53
Balance at 31 March	(100)	(29)

Notes to the Core Financial Statements

Note 21 – Unusable Reserves (continued)

(c) Capital Adjustment Account

The Capital Adjustment Account accumulates the write down of the historical cost of non-current assets as they are consumed by depreciation and impairments or written off on disposal, together with the resources that have been set aside to finance capital expenditure.

	2010/11 £000	2009/10 £000
Balance at 1 April	69,152	74,825
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>		
Charges for depreciation and impairment of non current assets	(2,574)	(9,137)
Revaluation losses on Property, Plant and Equipment	-	-
Amortisation of intangible assets	(183)	(222)
Revenue expenditure funded from capital under statute	(3,207)	(4,218)
Amounts of non-current assets written off on disposal or sale as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	<u>(300)</u>	<u>(308)</u>
	(6,264)	(13,886)
Adjusting amounts written out of the Revaluation Reserve	<u>398</u>	<u>14</u>
	398	14
<i>Capital financing applied in the year:</i>		
Use of the Capital Receipts Reserve to finance new capital expenditure	3,967	3,729
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	3,032	1,324
Application of grants to capital financing from the Capital Grants Unapplied Account	164	-
Capital expenditure charged against the General Fund balance	<u>757</u>	<u>1,234</u>
	7,920	6,287
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(4,708)	1,911
Balance at 31 March	66,498	69,152

(d) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for retirement benefits. The Council accounts for future retirement benefits in the Comprehensive Income and Expenditure Statement as they are earned by employees accruing years of service. Liabilities are also updated to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the future pension payments. However, statutory arrangements require benefits earned to be financed as the Council makes employers contributions to the pension funds.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits accrued by past and current employees and the resources the Council has set aside to meet future payments. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid (see also Note 35).

	2010/11 £000	2009/10 £000
Balance at 1 April	(29,859)	(11,444)
Actuarial gains or losses on pensions assets and liabilities	10,239	(16,780)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	<u>7,274</u>	<u>(1,635)</u>
Balance at 31 March	(12,346)	(29,859)

Notes to the Core Financial Statements

Note 21 – Unusable Reserves (continued)

(e) Collection Fund Adjustment Account

The Collection Fund Adjustment Account records the difference between the Demand on the Collection Fund in the Comprehensive Income and Expenditure Statement and the amount required by regulations to be credited to the General Fund. This amount is recorded in the Collection Fund Adjustment Account and included as reconciling item in the Statement of Movement on the General Fund Balance.

	2010/11 £000	2009/10 £000
Balance at 1 April	(111)	(74)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	124	(37)
Balance at 31 March	13	(111)

Note 22 – Cashflow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2010/11 £000	2009/10 £000
Interest received	789	1,261
	789	1,261

Note 23 – Cashflow Statement - Investing Activities

	2010/11 £000	2009/10 £000
Purchase of property, plant and equipment, investment property and intangible assets	4,714	2,179
Purchase of short-term and long term investments	71,923	68,135
Other payments for investing activities	228	3,548
Proceeds from the sale of non-current assets	(57)	(308)
Proceeds from short term and long term investments	(64,850)	(70,835)
Other receipts from investing activities	(4,455)	(8,307)
Net cash flows from investing activities	7,503	(5,588)

Note 24 – Cashflow Statement - Financing Activities

	2010/11 £000	2009/10 £000
Billing authorities - council tax and NNDR adjustments	(933)	(338)
	(933)	(338)

Notes to the Core Financial Statements

Note 25 – Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's members on the basis of budget reports analysed across committees. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- Commercial property trading activities are reported within the Policy & Resources Committee.
- Bishops' College old building commercial letting is reported within the Finance & Personnel Committee.
- Income and Expenditure incurred by the Broxbourne Leisure Management Service Organisation is treated as a trading operation for management reporting purposes.

The income and expenditure of the Council's committees recorded in the budget and monitoring reports for the year is as follows:

2010/11

Committee	Policy & Resources £000	Finance & Personnel £000	Community Services - Housing £000	Community Services - Leisure £000	Planning & Licensing £000	Environmental Services £000	Total £000
Government grants	-	(38,313)	(47)	(2)	-	-	(38,362)
Fees, charges and other service income	(4,187)	(6,574)	(1,120)	(1,850)	(714)	(5,044)	(19,489)
Contributions from reserves	(120)	-	-	3	(78)	-	(195)
Total income	(4,307)	(44,887)	(1,167)	(1,849)	(792)	(5,044)	(58,046)
Employee costs	998	3,603	1,374	1,037	868	1,779	9,659
Other operating expenses	4,452	41,766	4,066	5,419	818	7,671	64,192
Total operating expenses	5,450	45,369	5,440	6,456	1,686	9,450	73,851
Cost of Services	1,143	482	4,273	4,607	894	4,406	15,805

Reconciliation of Committee Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of Committee income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	£000
Cost of Services in Service Analysis	15,805
Non distributed costs - change in pension inflation assumption	(7,962)
Contributions from reserves	195
Remove services shown as Trading Operations	2,074
Cost of Services in Comprehensive Income and Expenditure Statement	10,112

Notes to the Core Financial Statements

Note 25 – Amounts Reported for Resource Allocation Decisions (continued)

Reconciliation of Subjective Analysis

This reconciliation shows how the figures in the analysis of committee income and expenditure relate to a subjective analysis of the Cost of Services included in the Comprehensive Income and Expenditure Statement.

2010/11

	Service Analysis £000	Services included in Analysis but not Cost of Services £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total Comprehensive Income and Expenditure £000
Reconciliation to Subjective Analysis						
Government grants	(38,362)	(32)	-	(38,394)	-	(38,394)
Fees, charges and other service income	(19,489)	(2,184)	9,547	(12,126)	(3,366)	(15,492)
Contributions from reserves	(195)	195	-	-	-	-
Interest and investment income	-	-	-	-	(789)	(789)
Income from council tax	-	-	-	-	(4,203)	(4,203)
Government grants and contributions	-	-	-	-	(11,711)	(11,712)
Actuarial gains on pension assets/liabilities	-	-	-	-	(10,239)	(10,239)
Total Income	(58,046)	(2,021)	9,547	(50,520)	(30,308)	(80,828)
Employee expenses	9,659	2,927	-	12,586	269	12,855
Other operating expenses (incl capital charges)	64,192	1,363	-	65,555	5,475	71,030
Non distributed costs	-	(7,962)	-	(7,962)	-	(7,962)
Support service recharges	-	-	(9,547)	(9,547)	-	(9,547)
Pension interest costs and expected return on pension assets	-	-	-	-	349	349
Payments to housing capital receipts pool	-	-	-	-	33	33
Deficit on revaluation of non current assets	-	-	-	-	27	27
Gain or loss on disposal of non current assets	-	-	-	-	297	297
Total Operating Expenses	73,851	(3,672)	(9,547)	60,632	6,450	67,082
(Surplus)/deficit on the provision of services	15,805	(5,693)	-	10,112	(23,858)	(13,746)

Notes to the Core Financial Statements

Note 25 – Amounts Reported for Resource Allocation Decisions (continued)

2009/10

Committee	Policy & Resources £000	Finance & Personnel £000	Community Services - Housing £000	Community Services - Leisure £000	Planning & Licensing £000	Environmental Services £000	Total £000
Government grants	-	(35,061)	(51)	-	-	-	(35,112)
Fees, charges and other service income	(4,147)	(6,194)	(1,070)	(2,313)	(802)	(5,590)	(20,116)
Total income	(4,147)	(41,255)	(1,121)	(2,313)	(802)	(5,590)	(55,228)
Employee costs	921	3,427	1,271	972	855	1,711	9,157
Other operating expenses	6,838	39,713	5,883	9,605	889	7,591	70,519
Total operating expenses	7,759	43,140	7,154	10,577	1,744	9,302	79,676
Cost of Services	3,612	1,885	6,033	8,264	942	3,712	24,448

Reconciliation of Committee Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

	£000
Cost of Services in Service Analysis	24,448
Statutory accounting adjustments (IFRS)	1,916
Remove services shown as Trading Operations	(1,992)
Cost of Services in Comprehensive Income and Expenditure Statement	24,372

Notes to the Core Financial Statements

Note 25 – Amounts Reported for Resource Allocation Decisions (continued)

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of committee income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2009/10

	Service Analysis £000	Services included in Analysis but not Cost of Service £000	Allocation of Recharges £000	Net Cost of Services £000	Corporate Amounts £000	Total Comprehensive Income & Expenditure £000
Reconciliation to Subjective Analysis						
Government grants	(35,112)	-	-	(35,112)	-	(35,112)
Fees, charges and other service income	(20,116)	(2,117)	8,955	(13,278)	(12,236)	(25,514)
Interest and investment income	-	-	-	-	(1,261)	(1,261)
Income from council tax	-	-	-	-	(4,159)	(4,159)
Government grants & contributions	-	-	-	-	(9,817)	(9,817)
Actuarial gains on pension assets liabilities	-	-	-	-	16,780	16,780
Total Income	(55,228)	(2,117)	8,955	(48,390)	(10,693)	(59,083)
Employee expenses	9,157	2,838	-	11,995	268	12,263
Other operating expenses (incl capital charges)	70,591	(797)	-	69,722	8,715	78,437
Support service recharges	-	-	(8,955)	(8,955)	-	(8,955)
Pension interest costs and expected return on pension assets	-	-	-	-	2,098	2,098
Payments to housing capital receipts pool	-	-	-	-	5	5
Surplus on revaluation of non current assets	-	-	-	-	(7,513)	(7,513)
Loss on disposal of non current assets	-	-	-	-	308	308
Total Operating Expenses	79,676	2,041	(8,955)	72,762	3,881	76,643
(Surplus)/deficit on the Provision of Services	24,448	(76)	-	24,372	(6,812)	17,560

Notes to the Core Financial Statements

Note 26 – Trading Operations

The Council maintains the following trading units, which operate in a competitive environment. All of the Council's service organisations achieved a surplus in 2010/11.

	2010/11			2009/10		
	Turnover £000	Expend- iture £000	(Surplus)/ Deficit £000	Turnover £000	Expend- iture £000	(Surplus) /Deficit £000
Trading Operations Included in Cost of Services						
Leisure Management	5,368	5,326	(42)	5,388	5,224	(164)
Construction Related Services *	-	-	-	971	859	(112)
	5,368	5,326	(42)	6,359	6,083	(276)
Trading Operations Included in Financing and Investment Income & Expenditure						
Broxbourne Services	6,862	6,649	(213)	8,254	7,508	(746)
Commercial Properties	3,152	1,035	(2,117)	3,042	2,446	(596)
	10,014	7,684	(2,330)	11,296	9,954	(1,342)
Total Trading Operations	15,382	13,010	(2,372)	17,655	16,037	(1,618)

* This service no longer operates as a trading organisation.

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. They are an integral part of the Council's services to the public (e.g. leisure management). The income and expenditure of these operations is included on the Cultural, Environmental, Regulatory and Planning Services line in the Cost of Services. Only the net surplus achieved by Broxbourne Services is included as Financing and Investment Income and Expenditure (see Note 9).

Note 27 – Members' Allowances

The Council paid the following amounts to members of the Council during the year:

	2010/11 £	2009/10 £
Allowances (including national insurance and employer's pension contributions)	238,937	258,224
Expenses	2,113	3,240
Total	241,050	261,464

Notes to the Core Financial Statements

Note 28 – Officers' Remuneration

The Council is required to disclose the remuneration of individual senior officers whose salary exceeds £50,000. Senior officers are defined as those who report directly to the Chief Executive Officer.

	Year	Salary, Fees and Allowances £	Bonuses £	Compensation for Loss of Office £	Pension Contri- bution £	Total £
Chief Executive Officer	2010/11	114,215			17,932	132,147
	2009/10	116,148			17,932	134,080
Director of Environmental Services	2010/11	83,188			13,061	96,249
	2009/10	85,928			13,061	98,989
Director of Resources	2010/11	74,962			11,769	86,731
	2009/10	74,962			11,769	86,731
Director of Community Services	2010/11	43,405		38,340	6,640	88,385
	2009/10	72,497			11,382	83,879
Head of Computing & Chief Information Officer	2010/11	45,529		50,101	6,600	102,230
	2009/10	67,669			10,624	78,293
Head of Legal Services	2010/11	60,310			9,612	69,922
	2009/10	61,222			9,612	70,834
Head of Community Planning & Corporate Projects	2010/11	55,485			8,711	64,196
	2009/10	55,485			8,711	64,196
Head of Communications	2010/11	54,318			8,528	62,846
	2009/10	54,318			8,528	62,846
Head of Personnel & Payroll	2010/11	54,072			8,489	62,561
	2009/10	54,072			8,489	62,561
Head of Support Services	2010/11	51,735			8,122	59,857
	2009/10	53,568			8,122	61,690
Head of Broxbourne Services	2010/11	50,583	8,599		9,292	68,474
	2009/10	50,583	13,995		10,139	74,717

The number of other employees whose remuneration (excluding employer's pension contributions) was £50,000 or more in bands of £5,000 was:

Remuneration Band	2010/11 Number of Employees	2009/10 Number of Employees
£50,000 - £54,999	8	6
£55,000 - £59,999	1	2
Total	9	8

Notes to the Core Financial Statements

Note 29 – External Audit Costs

The Council has incurred the following fees payable to the Audit Commission relating to external audit and inspection:

	2010/11 £000	2009/10 £000
External audit services	108	108
Statutory inspections	-	9
Certification of grant claims and returns	37	36
	145	153
Other services provided by Audit Commission	53	-
Total	198	153

The fee for other services related to an investigation of a formal objection to the 2009/10 Statement of Accounts (see Annual Governance Statement).

Note 30 – Grants

The Council received the following grants and contributions, which are recorded in the Comprehensive Income and Expenditure Statement :

	2010/11 £000	2009/10 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Grants		
Revenue Support Grant	883	1,291
Local Authority Business Growth Incentive Scheme	-	59
Area based grants	35	98
Performance Reward Grant	103	217
Housing and Planning Delivery Grant	-	104
Total	1,021	1,769

Capital Grants and Contributions (used to fund capital expenditure)

Disabled Facilities Grants	257	253
Play Areas	131	-
Parks for People	199	-
Recycling Schemes	74	37
Sustainable Transport	475	-
Other Grants	63	70
Planning Benefit Agreements (S106 monies)	1,868	964
Total	3,067	1,324

Credited to Services

Housing benefit subsidy	30,007	27,068
Council tax benefit subsidy	7,359	6,995
Benefit administration grant	804	843
Other grants	460	503
Total	38,630	35,409

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that could require the monies to be returned to the provider, if they are not spent in accordance with the conditions. The balances at the year end are as follows:

Capital Grants Receipts in Advance	2010/11 £000	2009/10 £000
Play Areas	44	-
Planning Benefit Agreements (S106 Monies)	1,357	1,577
Total	1,401	1,577

Notes to the Core Financial Statements

Note 31 – Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions the Council has with other parties (e.g. housing benefits). Government grants received during the year are set out in the subjective analysis in Note 25 on Resource Allocation Decisions.

Members of the Council have direct control over the Council's financial and operating policies. During 2010/11 the Council paid grants totalling £485,000 to Broxbourne Housing Association for the development of affordable housing. Two members of the Council were members of the Board of Broxbourne Housing Association. In addition, the Grants Panel approved grants totalling £385,227 of which £185,386 was paid to voluntary organisations in which four members had an interest. In each of these cases, the relevant members did not take part in any discussion or decision relating to the grants.

No other material transactions have been identified for disclosure which are not shown elsewhere in the Statement of Accounts.

Note 32 – Capital Expenditure and Capital Financing

During 2010/11, in addition to the annual net revenue expenditure on services, the Council spent £7.9 million on various capital schemes.

	2010/11 £000	2009/10 £000
Opening Capital Financing Requirement	(503)	(555)
Capital investment		
Property, plant and equipment	3,008	1,796
Investment properties	1,603	-
Intangible assets	103	245
Revenue expenditure funded from capital under statute	3,207	4,218
	<u>7,921</u>	<u>6,259</u>
Sources of finance		
Capital receipts	(3,967)	(3,729)
Government grants and other contributions	(3,197)	(1,324)
<i>Sums set aside from revenue:</i>		
Direct revenue contributions	(757)	(1,234)
Other movements	-	80
	<u>(7,921)</u>	<u>(6,207)</u>
Closing Capital Financing Requirement	(503)	(503)

Notes to the Core Financial Statements

Note 33 – Leases

The Council as Lessee

Operating Leases

The Council uses a small number of items of equipment financed under the terms of an operating lease. In addition, the Council rents four properties. The future minimum lease payments due under non-cancellable leases in future years are:

	2010/11 £000		2009/10 £000	
	Buildings	Equip- ment	Buildings	Equip- ment
Leases expiring not later than one year	89	33	54	39
Leases expiring later than one year and not later than five years	154	30	179	64
Leases expiring later than five years	21	-	50	-
Total	264	63	283	103

The amount charged to the Comprehensive Income and Expenditure Statement during 2010/11, in respect of such leases, was £142,390.

The Council as Lessor

Operating Leases

The Council leases out properties under operating leases for the provision of community services, such as sports facilities and community centres and for economic development purposes to provide suitable affordable accommodation for local businesses

The future minimum lease payments receivable under non-cancellable leases in future years are:

	2010/11 £000	2009/10 £000
Leases expiring not later than one year	2,143	2,556
Leases expiring later than one year and not later than five years	5,595	6,979
Leases expiring later than five years	33,285	34,117
Total	41,023	43,652

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 no material contingent rents were receivable by the Council.

Note 34 – Impairment Losses

During 2010/11, impairment losses were recognised in respect of:

- 1 New River Trading Estate, as a result of damage caused by a fire in a unit at the site - £91,640
- 2 Wormley Pitch and Putt, as a result of the impact of market conditions on rental values - £97,500

In addition, upward revaluations to two properties resulted in the reversal of previous impairment losses totalling £80,750.

Notes to the Core Financial Statements

Note 35 – Defined Benefit Pension Scheme

Participation in pension schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, a funded defined benefit scheme administered by Hertfordshire County Council.

(a) Transactions Relating to Post Employment Benefits

The cost of retirement benefits is recognised in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, as the charge the Council is required to make against council tax is based on the cash payable in the year, the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2010/11 £000	2009/10 £000
Comprehensive Income and Expenditure Statement		
<u>Cost of Services</u>		
Current service cost	1,757	981
Past service gain	(7,980)	-
Settlements and curtailments	18	-
<u>Financing and Investment Income and Expenditure</u>		
Interest cost	4,268	3,701
Expected return on scheme assets	(3,770)	(2,609)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(5,707)	2,073
<u>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</u>		
Actuarial gains and losses	10,239	16,780
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	4,532	18,853

Movement in Reserves Statement

Reversal of items relating to retirement benefits debited to the Comprehensive Income and Expenditure Statement	5,858	(3,079)
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Actual amount charged against the General Fund Balance for pensions in the year

Employer's contributions payable to scheme	1,416	1,444
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The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 is a loss of £15,222,000 (2009/10 £25,461,000).

Notes to the Core Financial Statements

Note 35 – Defined Benefit Pension Scheme (continued)

(b) Assets and Liabilities in Relation to Post Employment Benefits

Reconciliation of present value of the scheme liabilities

	2010/11 £000	2009/10 £000
Opening balance at 1 April	84,419	54,116
Current service cost	1,757	981
Interest cost	4,268	3,701
Contributions by scheme participants	599	614
Actuarial (gains)/losses	(10,102)	27,568
Past service gains - primarily due to change in inflation assumption from RPI to CPI	(7,980)	-
Loss on curtailments	18	-
Benefits paid	(3,677)	(2,561)
Closing balance at 31 March	69,302	84,419

Reconciliation of fair value of the scheme assets:

	2010/11 £000	2009/10 £000
Opening balance at 1 April	54,711	41,666
Expected rate of return	3,770	2,609
Contributions by scheme participants	599	614
Employer contributions	1,416	1,444
Actuarial losses	137	10,939
Benefits paid	(3,677)	(2,561)
Closing balance at 31 March	56,956	54,711

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £4,772,000 (2009/10 £13,548,000).

Notes to the Core Financial Statements

Note 35 – Defined Benefit Pension Scheme (continued)

(c) Scheme history

	2010/11	2009/10	2008/09	2007/08	2006/07
Present value of liabilities	(69,302)	(84,419)	(54,116)	(55,141)	(63,575)
Fair value of scheme assets	56,956	54,560	42,672	50,091	52,505
Deficit in the scheme	(12,346)	(29,859)	(11,444)	(5,050)	(11,070)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £12.346 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy because the deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £1.442 million.

(d) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method to arrive at an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The pension fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries with estimates being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used in the actuary's calculations are:

	2010/11	2009/10
Long-term expected rate of return on assets in the scheme:		
Equities	7.5%	7.8%
Bonds	4.9%	5.0%
Property	5.5%	5.8%
Cash	4.6%	4.8%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.0 years	22.7 years
Women	23.8 years	26.1 years
Longevity at 65 for future pensioners:		
Men	22.9 years	24.8 years
Women	25.7 years	28.3 years
Rate of inflation	3.1%	3.8%
Rate of increase in salaries	5.1%	5.3%
Rate of increase in pensions	2.8%	3.8%
Rate for discounting scheme liabilities	5.5%	5.5%
Take-up of option to convert annual pension into retirement lump sum for pre-April 2008 service	50%	50%
Take-up of option to convert annual pension into retirement lump sum for post-April 2008 service	75%	50%

Notes to the Core Financial Statements

Note 35 – Defined Benefit Pension Scheme (continued)

The scheme assets consist of the following categories, by proportion of the total assets held:

	31 March 2011	31 March 2010
Equities	73.0%	71.0%
Bonds	19.0%	19.0%
Property	4.0%	3.0%
Cash	4.0%	7.0%
	100.0%	100.0%

(e) History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2010/11	2009/10	2008/09	2007/08	2006/07
Differences between the expected and actual return on assets	42.1%	19.8%	(36.3%)	(10.9%)	0.2%
Experience gains and losses on liabilities	0.2%	0.0%	0.0%	(4.3%)	0.0%

Note 36 – Transition to International Financial Reporting Standards (IFRS)

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement of various prior year comparative balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following notes explain the reasons for material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements. The resultant changes to the comparative figures in the Comprehensive Income and Expenditure Statement and Balance Sheet are summarised in the tables below.

1 Short-term accumulated compensated absences

Short-term accumulated compensated absences refers to benefits that employees receive as part of their contract of employment. This entitlement is built up as employees provide services to the Council. The most significant benefit covered by this heading is holiday entitlement.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when any annual leave has been earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

2 Grants and Contributions

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund, or held as receipts in advance until they were used to fund expenditure. As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet, and those balances in Receipts in Advance transferred to Capital Grants Unapplied.
- The portions of Government Grants Deferred that were previously recognised as income in 2009/10 have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures, with corresponding adjustments in the Balance Sheet.

Notes to the Core Financial Statements

Note 36 – Transition to International Financial Reporting Standards (IFRS) (continued)

- (c) Capital grants receivable in 2009/10 have been recognised in the Comprehensive Income and Expenditure Statement, with any unspent amounts transferred to Capital Grants Unapplied.

Revenue Grants are also now required to be recognised as income as soon as they become receivable. Those amounts previously held as Receipts in Advance have been recognised in the 2009/10 comparative figures in the Comprehensive Income and Expenditure Statement, with corresponding adjustments in the Balance Sheet.

3 Trading Accounts

Previously, the surpluses or deficits on all trading operations were included in a single figure in the Income and Expenditure Account, backed up by a note breaking this total down over the individual operations. The new arrangements are that a trading operation should, where possible, be included under the relevant service heading. Where this is not possible, then the operation is included under Financing and Investment Income and Expenditure. On this basis, the Leisure Management Service Organisation is now incorporated into the Cost of Services, under Cultural, environmental, regulatory and planning services. A full summary of all Trading Operations continues to be provided, at Note 26.

Transactions resulting from the revaluation and impairment of Investment Properties were previously reported as part of the Commercial Properties trading operation. They are now required to be shown as a separate item under Financing and Investment Income and expenditure.

The effect on the Comprehensive Income and Expenditure Statement is shown in the summary table below.

4 Investment Properties

A new definition of Investment Properties has been introduced, leading to some Investment Properties being reclassified as Property, Plant and Equipment, and vice versa. The majority of reclassifications were from Investment Properties to Property, Plant & Equipment. The new definition is as follows:

Investment property is property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for:

- (a) use in the production or supply of goods or services or for administrative purposes, or
- (b) sale in the ordinary course of operations.

5 Intangible Assets

The new Code contains greater clarity on the definition of Intangible Assets. As a result, a number of assets have been reclassified to this heading from Property, Plant and Equipment. The new definition is as follows:

An intangible asset is an identifiable non-monetary asset without physical substance. It must be controlled by the authority as a result of past events, and future economic or service benefits must be expected to flow from the intangible asset to the authority.

6 Revaluations and Impairments of Assets

The new Code contains a number of changes to the circumstances in which Revaluations and Impairments are to be charged to the Cost of Services and/or recognised in the Revaluation Reserve. In particular, all upward or downward revaluations on Investment Properties must now be recognised in the Cost of Services, appearing as a single line under Financing and Investment Income and Expenditure. This change both effects the Comprehensive Income and Expenditure Statement and results in movements in the Revaluation Reserve and Capital Adjustment Account under Unusable Reserves.

7 Cash Equivalents

A new asset category of 'Cash Equivalents' has been introduced. These are defined as 'short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value'. These assets were previously classified under Short Term Investments.

8 Reclassification of Trading Operations

From 2010/11, Broxbourne Construction Services no longer operates as a trading undertaking and is included in the Cost of Services. Although this change is separate to the IFRS restatement changes, it is included in the figures below for completeness.

Notes to the Core Financial Statements

Note 36 – Transition to International Financial Reporting Standards (IFRS) (continued)

Comprehensive Income and Expenditure Account

Central services to the public	As per Statement of Accounts 2009/10	Employee Benefits	Grants and Contributions	Revaluations and Impairments	Fair Value Changes on Investment Properties	Leisure Management Service Organisation	Restated Amount after IFRS Changes	Transfer BCS to Service Line	Restated Amount in Statement of Accounts 2010/11
Cultural, environmental, regulatory and planning services	£000	£000	£000	£000	£000	£000	£000	£000	£000
Highways, roads and transport services	1,314	(4)	105	60	-	-	1,475	-	1,475
Housing services	11,911	(9)	705	796	-	(164)	13,239	-	13,239
Adult social care	2,488	(1)	319	-	-	-	2,806	(112)	2,694
Corporate and democratic core	4,710	(5)	547	(135)	-	-	5,117	-	5,117
	371	(2)	6	-	-	-	375	-	375
	1,158	(18)	188	144	-	-	1,472	-	1,472
Cost of Services	21,952	(39)	1,870	865	-	(164)	24,484	(112)	24,372

Other Operating Expenditure

	313	-	-	-	-	-	313	-	313
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Financing and Investment Income and Expenditure

Pensions interest cost and expected return on pensions assets	2,098	-	-	-	-	-	2,098	-	2,098
Interest receivable and similar income	(1,261)	-	-	-	-	-	(1,261)	-	(1,261)
Income and expenditure in relation to investment properties and changes in their fair value	-	-	-	-	(1,911)	-	(1,911)	-	(1,911)
Income from Trading Operations not in Service Expenditure Analysis	930	(14)	120	(4,565)	1,911	164	(1,454)	112	(1,342)
	1,767	(14)	120	(4,565)	-	164	(2,528)	112	(2,416)

Taxation and Non-Specific Grant Income

Council tax income	(4,159)	-	-	-	-	-	(4,159)	-	(4,159)
Non domestic rates	(5,593)	-	-	-	-	-	(5,593)	-	(5,593)
Non-ring fenced government grants	(1,552)	-	(217)	-	-	-	(1,769)	-	(1,769)
Other Income	(813)	-	-	-	-	-	(813)	-	(813)
Capital grants and contributions	-	-	(1,642)	-	-	-	(1,642)	-	(1,642)
	(12,117)	-	(1,859)	-	-	-	(13,976)	-	(13,976)

(Surplus) or deficit on provision of services

	11,915	(53)	(131)	(3,700)	-	-	8,293	-	8,293
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Adjustments in MIRS

	(13,325)	53	537	3,700	-	-	(9,969)	-	(9,909)
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Movements in Earmarked Reserves

	1,329	-	747	-	-	-	2,076	-	2,076
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Net Movement on General Fund Balance

	(81)	-	541	-	-	-	460	-	460
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Notes to the Core Financial Statements

Note 36 – Transition to International Financial Reporting Standards (IFRS) (continued)

Balance Sheet as at 1 April 2009

	2008/09 Balance Sheet as at 31 March 2009	Remove Cumulative Rounding Differences	Reclassify Investment Properties	Reclassify Intangible Assets	Cash Equivalents	Grants and Contributions	Accumulated Absences	Total Changes	Restated Balance Sheet as at 31 March 2009
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Property, Plant and Equipment	35,155	(1)	9,479	(488)	-	-	-	8,990	44,145
Investment Property	43,032	-	(9,479)	-	-	-	-	(9,479)	33,553
Intangible Assets	-	-	-	488	-	-	-	488	488
Long Term Investments	9,031	-	-	-	-	-	-	-	9,031
Long Term Debtors	305	-	-	-	-	-	-	-	305
Non Current Assets	87,523	(1)	-	-	-	-	-	-	87,522
Short Term Investments	42,522	-	-	(6,450)	-	-	-	(6,450)	36,072
Inventories	103	(1)	-	-	-	-	-	(1)	102
Short Term Debtors	7,718	-	-	-	-	-	-	-	7,718
Cash and Cash Equivalents	640	-	-	6,450	-	-	-	6,450	7,090
Current Assets	50,983	(1)	-	-	-	-	-	(1)	50,982
Short Term Creditors	(10,026)	1	-	-	-	880	(82)	799	(9,227)
Current Liabilities	(10,026)	1	-	-	-	880	(82)	799	(9,227)
Long Term Creditors	(13,799)	1	-	-	-	2,265	-	2,265	(11,533)
Non Current Liabilities	(13,799)	1	-	-	-	2,265	-	2,265	(11,533)
Net Assets	114,681	-	-	-	-	3,145	(82)	3,063	117,744
Revaluation Reserve	(5,759)	-	1,935	-	-	-	-	1,935	(3,824)
Capital Adjustment Account	(70,718)	-	(1,935)	-	-	(2,172)	-	(4,107)	(74,825)
Pensions Reserve	11,444	-	-	-	-	-	-	-	11,444
Collection Fund Adjustment Account	73	1	-	-	-	-	-	-	74
Accumulated Absences Account	-	-	-	-	-	-	82	82	82
Unusable Reserves	(64,960)	1	-	-	-	(2,172)	82	(2,090)	(67,049)
Capital Receipts Unapplied	(38,996)	-	-	-	-	-	-	-	(38,996)
Capital Grants Unapplied	-	-	-	-	-	(431)	-	(431)	(431)
Earmarked Reserves	(4,617)	(1)	-	-	-	-	-	-	(4,618)
General Fund Balance	(6,108)	-	-	-	-	(542)	-	(542)	(6,650)
Usable Reserves	(49,721)	(1)	-	-	-	(973)	-	(973)	(50,695)
Total Reserves	(114,681)	-	-	-	-	(3,145)	82	(3,063)	(117,744)

Notes to the Core Financial Statements

Note 36 – Transition to International Financial Reporting Standards (IFRS) (continued)

Balance Sheet as at 31 March 2010

	2009/10 Balance Sheet as at 31 March 2010 £000	Changes to Opening Balance (as above) £000	Remove Cumulative Rounding Differences £000	Reclassify Investment Properties £000	Reclassify Assets £000	Cash Equivalents £000	Revaluations and Impairments £000	Grants and Contributions £000	Additional Transfer to Earmarked Reserves £000	Accumulated Absences £000	Restated Balance Sheet as at 31 March 2010 £000
Property, Plant and Equipment	34,918	8,990	1	(2,553)	(23)	-	-	-	-	-	41,333
Investment Property	45,076	(9,479)	-	2,553	-	-	-	-	-	-	38,150
Intangible Assets	-	488	-	-	23	-	-	-	-	-	511
Long Term Investments	3,036	-	1	-	-	-	-	-	-	-	3,037
Long Term Debtors	360	-	-	-	-	-	-	-	-	-	360
Non Current Assets	83,390	(1)	2	-	-	-	-	-	-	-	83,391
Short Term Investments	48,682	(6,450)	-	-	-	(9,465)	-	-	-	-	32,767
Inventories	126	(1)	1	-	-	-	-	-	-	-	126
Short Term Debtors	4,264	-	-	-	-	-	-	-	-	-	4,264
Cash and Cash Equivalents	68	6,450	-	-	-	9,465	-	-	-	-	15,983
Current Assets	53,140	(1)	1	-	-	-	-	-	-	-	53,140
Short Term Creditors	(7,866)	799	(1)	-	-	-	-	617	-	53	(6,398)
Current Liabilities	(7,866)	799	(1)	-	-	-	-	617	-	53	(6,398)
Long Term Creditors	(31,466)	2,266	(2)	-	-	-	-	(747)	-	-	(29,949)
Non Current Liabilities	(31,466)	2,266	(2)	-	-	-	-	(747)	-	-	(29,949)
Net Assets	97,198	3,063	-	-	-	-	-	(130)	-	53	100,184
Revaluation Reserve	(16,971)	1,935	-	-	-	-	3,720	-	-	-	(11,316)
Capital Adjustment Account	(61,979)	(4,107)	-	-	-	-	(3,720)	654	-	-	(69,152)
Pensions Reserve	29,859	-	-	-	-	-	-	-	-	-	29,859
Collection Fund Adjustment Account	110	-	1	-	-	-	-	-	-	-	111
Accumulated Absences Account	-	82	-	-	-	-	-	-	-	(53)	29
Unusable Reserves	(48,981)	(2,090)	1	-	-	-	-	654	-	(53)	(50,469)
Capital Receipts Unapplied	(36,082)	-	-	-	-	-	-	-	-	-	(36,082)
Capital Grants Unapplied	-	(431)	-	-	-	-	-	(318)	-	-	(749)
Earmarked Reserves	(5,946)	-	(1)	-	-	-	-	(217)	-	-	(6,164)
General Fund Balance	(6,189)	(542)	-	-	-	-	-	11	-	-	(6,720)
Usable Reserves	(48,217)	(973)	(1)	-	-	-	-	(524)	-	-	(49,715)
Total Reserves	(97,198)	(3,063)	-	-	-	-	-	130	-	(53)	(100,184)

Notes to the Core Financial Statements

Note 37 – Amendment to 2009/10 Comparative Amounts

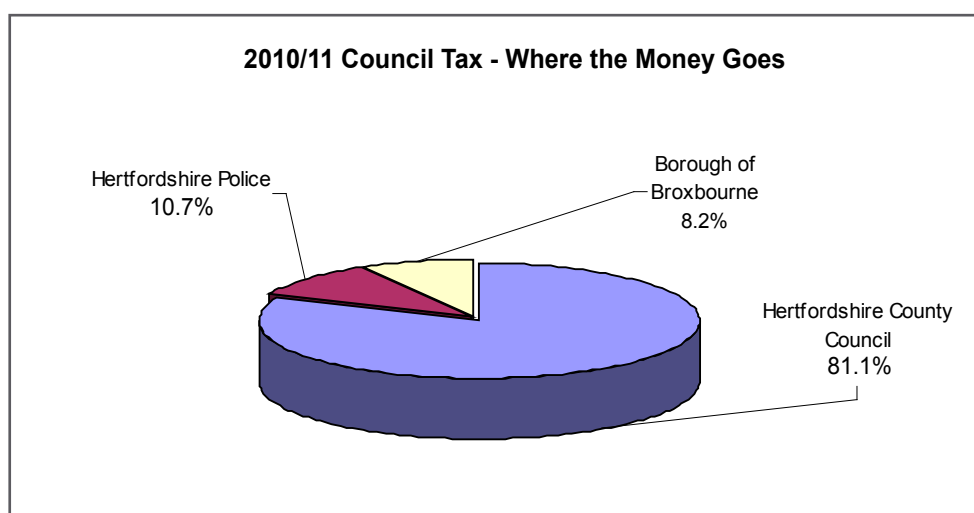
In the 2009/10 Statement of Accounts, expenditure on Council Tax Benefit totalled £6.911 million and there was associated grant income of £6.996 million, producing net income of £85,000. This was included in the Cost of Services, under Central Services to the Public, at the net amount. Clarification has now been obtained that both income and expenditure should be shown gross, and this treatment has been adopted for the 2010/11 accounts. This means that, for comparability, the 2009/10 figures must be amended. The results are shown below. There is no impact on the reported net cost of Central Services to the Public, on the overall Cost of Services, or on the General Fund Balance.

	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Central services to the public			
As per Statement of Accounts 2009/10	2,442	1,128	1,314
IFRS restatement (see Note 36)	161	-	161
Amount after IFRS restatement	2,603	1,128	1,475
Amendment re Council Tax Benefits	6,911	6,911	-
As per Statement of Accounts 2010/11	9,514	8,039	1,475
Cost of services			
As per Statement of Accounts 2009/10	57,084	35,132	21,952
IFRS restatement (see Note 36)	7,908	5,376	2,532
Amount after IFRS restatement	64,992	40,508	24,484
Transfer BCS to service line (see Note 36)	859	971	(112)
Amendment re Council Tax Benefits	6,911	6,911	-
As per Statement of Accounts 2010/11	72,762	48,390	24,372

Collection Fund Income and Expenditure Account

Collection Fund Income and Expenditure Account

	Note	2010/11 £000	2009/10 £000	2008/09 £000
Income				
Income from council tax	2	44,250	43,978	42,817
Transfers from General Fund:				
Council tax benefits		7,261	6,911	5,662
Income collectable from business ratepayers	3	33,767	36,011	32,659
		85,278	86,900	81,138
Expenditure				
Precepts and demands				
Hertfordshire County Council		41,149	41,188	39,658
Hertfordshire Police		5,437	5,258	5,013
Borough of Broxbourne	2	4,165	4,169	4,013
		50,751	50,615	48,684
Business Rates				
Payment to national pool	3	33,585	35,839	32,510
Costs of collection		115	117	115
Interest paid to ratepayers		67	55	34
		33,767	36,011	32,659
Provision for council tax bad and doubtful debts		299	399	616
Distribution of previous year's estimated Collection Fund surplus		(1,059)	330	640
		83,758	87,355	82,599
Movement on Fund Balance				
Surplus/(deficit) for year		1,520	(455)	(1,461)
Balance at 1 April		(1,334)	(879)	582
Balance at 31 March	4	186	(1,334)	(879)



Notes to the Collection Fund

Note 1 – General

This account reflects the statutory requirements for billing authorities to maintain a separate Collection Fund. It shows the transactions of the Council in relation to non-domestic rates and the council tax and illustrates the way in which these have been distributed to preceptors and the General Fund. The Collection Fund is consolidated with other accounts of the Council and is prepared on the accruals basis.

Note 2 – Council Tax

This tax is a property based tax and assumes that two adults are resident in the property. Discounts are available where less than two adults reside. Properties are placed into one of eight valuation bands.

The base upon which the council tax is calculated is the total of the number of dwellings in each valuation band (adjusted for dwellings where discounts apply) and converted to an equivalent number of band D dwellings. For 2010/11 the numbers were:

Band	Value £	Number of chargeable dwellings	Equivalent number of dwellings at Band D (after adjustments)
A	up to 40,000	449	237
B	40,001-52,000	3,482	2,157
C	52,001-68,000	8,722	6,654
D	68,001-88,000	13,948	12,718
E	88,001-120,000	7,154	8,129
F	120,001-160,000	2,734	3,773
G	160,001-320,000	2,026	3,204
H	over 320,000	152	278
Total		38,667	37,150
Tax base (assuming 99% collection rate)			36,779

The Council's own council tax charge was calculated as follows:

	£
Net budget for year	11,039,353
less:	
Revenue Support Grant	(882,728)
Contribution from NNDR Pool	(6,079,008)
Contribution to estimated 2009/10 Collection Fund deficit	87,248
Demand from Collection Fund	£ 4,164,865

The figure of £4,164,865 is divided by the tax base to give a band D tax rate of £113.24 (£113.24 for 2009/10). The average overall band D council tax rate for the Borough, which includes the County Council and police charge was £1,379.89 (£1,374.89 for 2009/10).

Notes to the Collection Fund

Note 3 – Income from Business Ratepayers

The Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate which for 2010/11 was 41.4p (48.5p for 2009/10). The total amount, less certain relief and other deductions, is paid to a central pool (the National Non Domestic Rate (NNDR) pool) managed by central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of the local adult population. In 2010/11 the Council received £6,079,008 (£5,592,828 for 2009/10). This contribution is paid into the General Fund (see Note 10).

At the year end the total non-domestic rateable value was £87 million for 2,128 properties (2,136 at 31 March 2010).

	£000
Gross rates payable in respect of 2010/11	33,767
Less allowances and other adjustments	(182)
Payment to NNDR pool	<u>33,585</u>

Note 4 – Precepts and Demands on the Collection Fund

	2010/11 precept/ demand £000	Share of 31.03.11 surplus £000	2010/11 total £000	2009/10 Total £000
Borough of Broxbourne	4,165	15	4,180	4,059
Hertfordshire County Council	41,149	152	41,301	40,104
Hertfordshire Police	5,437	19	5,456	5,118
	<u>50,751</u>	<u>186</u>	<u>50,937</u>	<u>49,281</u>

Annual Governance Statement

1 Scope of responsibility

Broxbourne Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging these responsibilities, the Council is responsible for putting in place proper arrangements for the governance of its functions, which includes arrangements for the management of risk.

The Council has approved a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.

This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011.

2 The purpose of the governance framework

The governance framework comprises the systems, processes and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Broxbourne for the year ended 31 March 2011 and up to the date of approval of the statement of accounts and, except for the details of significant

governance issues at section 5, accords with proper practice.

3 The governance framework

The key elements of the systems and processes that comprise the Council's governance arrangements are summarised below:

Identifying, communicating and reviewing the Council's vision and outcomes

The Sustainable Community Strategy (2010-21) for Broxbourne outlines the long term strategic vision and nine priority themes for the area. It was produced in liaison with the Council's strategic partners through the Local Strategic Partnership (LSP). The Plan was developed after a comprehensive review of existing services and facilities in Broxbourne, research into the local community and its needs and by asking local residents for their views on issues facing the Borough.

In July 2008 the Council published its Corporate Plan for 2008-11 setting out the Council's priorities and how they will be achieved. The Plan links with the Sustainable Community Strategy and is supported by a series of other strategies and plans, including service business plans, and has been placed at the centre of the Council's policy and financial planning framework to inform service priorities and budget decisions. The Council's priorities were reviewed and revised in February 2010 and will be subject to further review during 2011/12.

Measuring the quality of services for users

The Council's programme for securing continuous improvement in its services is set out in the Corporate Plan and in service business plans. Actions for improvement are drawn from a variety of sources including external audit and inspection reviews, the Council's own internal service reviews, issues arising from performance management, consultation exercises and service improvements identified by the Council's complaints and compliments procedure.

The Council has a robust performance management framework in place. Quality of service is measured through national and corporate performance indicators which are reported to service committees and quarterly to the Scrutiny Committee. Areas of concern are referred by the Scrutiny Committee to service committees for action and reports of the outcomes of such action are called for.

Benchmarking takes place to compare costs and quality of services with other authorities,

Annual Governance Statement

in particular those that are classed as 'nearest neighbours'.

Defining and documenting the roles and responsibilities of members and officers

The Council's Constitution, which was reviewed and updated in April 2010, sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution describes how decisions are made and sets out a scheme of delegation which defines:

- the items to be dealt with by way of recommendation to the Council
- the items to be dealt with under executive powers
- the powers delegated to officers in consultation with the chairman of the committee; and
- the powers delegated to officers.

The Constitution also sets out public access to the decision making process.

The Constitution was comprehensively revised in May 2011 to reflect the changes to the Council's decision making arrangements.

Developing, communicating and embedding codes of conduct defining the standards of behaviour for members and officers

The Constitution incorporates a Member Code of conduct to ensure high standards of member conduct. The code of conduct was last updated in July 2007. An Officer Code of Conduct was also in place during 2010/11.

All members are required to register financial or other relevant interests, as specified by the Code of Conduct. Both members and officers must declare any gifts or hospitality, in the appropriate registers.

The Standards Committee, whose chairman is independent of the Council, assists in setting and promoting the ethics agenda for the Council through undertaking an annual review of the ethical framework operation and monitors training on the Member Code of Conduct. The Standards Committee was bolstered by additional independent membership in 2010 to enable it to fully undertake its roles.

The Constitution also includes a protocol for member-officer relations which describes and regulates the way in which members and officers should interact to work effectively together.

An anti-fraud and corruption strategy and fraud response plan is in place, which sets out the responsibilities of the Council, its members and officers in relation to fraud.

Standing orders, financial regulations and schemes of delegation

The Constitution sets out the scheme of delegation, financial regulations and contract procedure rules. The financial regulations were reviewed and updated during 2010/11.

Training is given to all new staff and periodically to existing staff on financial regulations and procurement rules and guidelines.

Financial procedure notes and manuals and compliance with financial regulations are checked at key financial audits.

The roles of the Finance and Personnel Committee and the Scrutiny Committee

The Finance and Personnel and Scrutiny Committees each undertake certain elements of the core functions of an audit committee, which comprise:

- Internal audit matters including:
 - the annual internal audit plan;
 - the adequacy of management response to internal audit reports and recommendations;
 - the head of internal audit's annual report and opinion;
 - the review of the effectiveness of internal audit;
 - summaries of specific internal audit reports;
- External audit matters including:
 - the external auditor's plans for auditing and inspecting the Council;
 - the annual audit letter from the Audit Commission;
- Anti-fraud and corruption issues including the Council's policies on anti-fraud and corruption;
- The Council's risk management arrangements;
- The Annual Governance Statement.

As part of the changes to its constitutional arrangements, the Council established a separate audit committee, the members of which include an independent member, with effect from May 2011.

Annual Governance Statement

Compliance with relevant laws and regulations, internal policies and procedure

Ensuring compliance with established policies, procedures, laws and regulations involves a range of measures which include:

- Notification of changes in the law, regulations and practice to services;
- Awareness, understanding and training carried out by internal officers and external experts;
- The drawing up and circulation of guidance and advice on key procedures, policies and practices;
- Proactive monitoring of compliance by relevant key officers including the Section 151 Officer and the Monitoring Officer.

The Council has designated its Head of Legal Services as Monitoring Officer. The function ensures compliance with policies, procedures, laws and regulations. The Monitoring Officer will report to the Council if he considers any proposed action, decision or omission would give rise to unlawfulness or maladministration. All reports for member decision are required to include the legal implications of the decision, which are reviewed by the Head of Legal Services.

The financial management of the Council is the responsibility of the Director of Resources (Section 151 Officer), and is conducted in accordance with the Constitution and financial regulations, with the assistance of professionally qualified finance staff within Financial Services and within service departments. The Section 151 Officer has a legal responsibility to issue formal reports if she has particular concerns about the financial arrangements or situation of the Council.

The Monitoring Office and Section 151 Officer jointly issued a report in accordance with Section 114 of the Local Government Finance Act 1988 and Section 5 of the Local Government and Housing Act 1989 to the Council on 22 February 2011 regarding payments of unlawful and potentially unlawful amounts totalling £7,350 to members of the Council.

Risk management arrangements

The Council has in place a process for identifying, assessing, managing and reviewing the key areas of risk and uncertainty that could impact on the achievement of the Council's objectives and service priorities. Risk management is an integral part of the business planning process.

The Council has an approved risk management

policy and strategy in place which sets out its overall approach to risk management and which is regularly reviewed and updated.

A corporate risk register is in place that identifies corporate strategic risks as well as key operational risks and is owned and reviewed by the borough management team. Service risk registers are owned and reviewed by each head of service. All risk registers are required to be reviewed every six months.

The Scrutiny Committee receives quarterly reports on risk management and the profile of risk is maintained through the publication of regular newsletters, formal officer training and briefing sessions for members.

Whistle-blowing and complaints procedures

The Council has in place an anti-fraud and corruption strategy, fraud response plan and confidential reporting policy which is held in the staff handbook 'Working for Broxbourne' and is publicised to staff periodically. A separate public 'fraud hotline' is widely publicised and is available for reporting suspicions of benefit fraud.

The Council has a corporate complaints procedure which is set out in the following documents:

- 'How to comment on the Council and its services' - a leaflet advising members of the public how to comment and what happen as a result;
- 'The Customer Care Guide' - a practical guide to achieving a quality approach to helping customers;

The Council records complaints on its corporate customer relationship management (CRM) system. Information is collated and categorised centrally and reported annually to the Scrutiny Committee, with details of trends and actions taken to address recurring issues.

The Standards Committee considers any complaints made against members of the Council relating to breaches of the code of conduct.

Complaints to the Local Government Ombudsman are monitored by the Chief Executive Officer.

Member and officer development needs

A Programme of training and induction for newly elected members is delivered each year. These sessions are open to all existing members.

A programme of regular member training and briefing sessions which includes relevant legislative changes, compliance and financial issues is also undertaken each year.

Annual Governance Statement

The staff appraisal system is a core part of performance management and provides the link between the Council's corporate and service objectives to individual objectives to set targets for delivery. Assessment of training and development needs is linked to individual objectives and performance needs.

Communication and consultation with the public and other stakeholders

The communications strategy sets out how the Council will engage with the community and stakeholders. The corporate communications team leads in meeting the Council's communication targets as well as co-ordinating, supporting and acting as a central consultation point for specialist advice and quality control.

The Council uses a number of channels to both consult and communicate with the community and other stakeholders. In particular, neighbourhood forums are used to consult on community safety and other local issues and focus groups are used to consult users of specific services. In addition to statutory residents' surveys, surveys have been commissioned from MORI since 1993 and the results used to inform the Council's priorities.

Regular communication channels include the regular 'Broxbourne News' magazine delivered to all households, a proactive media relations programme, an improved website, notice boards, information stands, TV screens and publicity on Council vehicles and correspondence.

Governance arrangements for partnerships

Partnerships are a key component for service provision. The Council has established its key partnerships and each has terms of reference, governance arrangements, decision making process embedded and dispute resolution procedures (where appropriate) embedded. The Local Strategic Partnership has a governance statement including risk and performance management arrangements and its Terms of Reference are reviewed regularly to ensure they are fit for purpose.

There are Service Level Agreements in place for key voluntary sector partners and annual review meetings are carried out to monitor performance against the agreements.

The relationship between the Council and Broxbourne Housing Association Limited is governed in practice by regular meetings and numerous shared work areas. Formally the relationship is governed by a legal agreement dated 23 January 2006 which is monitored

regularly by the Council's Policy and Resources Committee.

A review of partnership governance arrangements was undertaken during 2009/10 and recommendations made to strengthen the governance framework for significant partnerships. A partnership protocol which encompasses partnership risk management is in place.

4 Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its systems of governance (including a review of the effectiveness of internal audit). The review of effectiveness is informed by the work of members, directors and managers within the Council who have responsibility for the development and maintenance of the governance environment, by the work of internal audit, and also by comments made by the external auditors and other review agencies and inspectorates. The review of effectiveness should consider the role of:

- The Council
- Committees, including the Standards Committee and the Scrutiny Committee
- Internal audit
- Other explicit review/assurance mechanisms

The Council and its members

For the 2010/11 reporting period, the Local Government Ombudsman has made no findings of maladministration against the Council.

No elected member of Broxbourne Borough Council was found to be in breach of the Code of Conduct during 2010/11.

The work of the Standards Committee

A review of member training on matters relating to the Council's Code of Conduct is undertaken annually, the latest review having taken place in February 2011.

There was one complaint against a member of the Council relating to the Code of Conduct in 2010/11. Returns to the Standards Board for England were submitted to this effect on time. A report was made to the Standards Committee in February 2011 on the operation of ethical framework.

The work of the Finance and Personnel Committee and the Scrutiny Committee

The Finance and Personnel and Scrutiny Committees considered the work of and

Annual Governance Statement

recommendations made by the internal and external auditors and other review bodies.

The Scrutiny Committee received quarterly reports on risk and performance management. The committee referred issues of concern or areas where improvement was needed to the appropriate service committee for action and required reports of the outcomes of such action to be made.

The work of internal audit

For 2010/11, the internal audit manager's opinion, as summarised in the internal audit annual report, was that overall a satisfactory level of assurance can be provided in connection with the Council's internal control environment, i.e. all key controls are in place and working effectively. A number of areas for improvement were identified from internal audit work and two hundred and thirteen recommendations were made that were classed as fundamental or significant.

A review of the effectiveness of the system of internal control in place in 2010/11 was carried out by the internal audit manager. The review concluded from the sources of evidence reviewed that the Council's system of internal control is operating effectively. The internal audit manager also undertook a review of the effectiveness of the internal audit function by assessing compliance with the CIPFA Code of Practice for Internal Audit in Local Government 2006. The review concluded that the internal audit service is largely compliant with the CIPFA Code and identified the following areas for improvement:

- Internal audit framework documents such as the terms of reference and strategy require updating.
- The internal audit service operates within the constraints of a small section with finite resources, which impacts on resilience and flexibility of the service. Options to mitigate the impact will continue to be actively explored during 2011/12.

There were no financially material occurrences of suspected fraud or corruption during the year that needed to be brought to the attention of the Council. Other incidences of suspected fraud were fully investigated by Internal Audit and recommendations made.

Other review and assurance mechanisms

The external auditors' findings and recommendations set out in the Annual Audit Letter (published November 2010) and Annual Governance Report (published September

2010) were on the whole positive and the auditors were satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

A service assurance model was in place for 2010/11, whereby directors and heads of service were required to complete self assessment questionnaires in respect of the control environment within their particular service area. The combined results provided an overall assessment of good for the Council's internal control environment with no significant issues emerging.

During 2010/11, there was ongoing review and update of the corporate strategic and operational risk registers to reflect the changing nature of the risks facing the Council and the actions required to mitigate these risks.

The Monitoring Officer has ensured throughout the year that all Council activity has been proper and legal within the requirements of his statutory governance and control responsibilities.

The Director of Resources has certified the Statement of Accounts, providing assurance on the financial aspects of governance and control.

The annual review of the Council's Statement of Accounts and supporting systems by the external auditors will be undertaken, leading to their opinion as published in the Statements

All reports prepared for committees and Council were subject to review by the Director of Resources and the Monitoring Officer to ensure that financial, legal and risk implications of decisions were adequately considered and expressed.

Monthly budget and performance monitoring took place throughout the year and was regularly reported to services committee and the Finance and Personnel Committee.

Other external assessments and accreditations, such as Investors in People, Lexcel, Quest and level three of the Equality Standard for Local Government were achieved or maintained during 2010/11.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Scrutiny Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5 Significant governance issues

This final part of the Statement outlines the actions taken, or proposed, to deal with significant governance issues identified. The actions

Annual Governance Statement

taken in respect of significant internal control issues identified in 2009/10 and those identified previously which had not been adequately addressed in 2009/10, are as follows:

- **Business continuity arrangements** - The corporate business continuity plan will be subject to a comprehensive review during 2011/12, including a review of the key and essential services defined in the plan. Operational business continuity plans will be developed for key service areas.
- **Member allowances** - Payments to members totalling £7,350 were made in 2009/10 without appropriate powers. The District Auditor investigated this and issued his decision and statement of reasons on 1 March 2011. The auditor concluded that these payments were potentially unlawful but that no other items of account were unlawful. He concluded that there was no merit in applying to the court for a formal declaration that the payments were unlawful and that he would not raise any of the issues in a public interest report.

- During 2010/11, the Monitoring Officer and Section 151 Officer jointly issued a report in accordance with Section 114 of the Local Government Finance Act 1988 and Section 5 of the Local Government and Housing Act 1989 to the Council on 22 February 2011 regarding these payments. The Council immediately implemented the steps recommended and additional steps proposed by members to ensure compliance. Both officers also considered the reports made to the Independent Remuneration Panel and attended the meeting of the panel.

The review of the effectiveness of the governance framework in place in 2010/11 has not identified any additional significant governance issues.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

Cllr P V Mason
Leader of the Council
30 June 2011

M J Walker
Chief Executive Officer
30 June 2011

Report of the Auditors

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Report of the Auditors

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Glossary of Financial Terms

Accounting Basis

The basis on which the Council's accounts are prepared whereby expenditure and income are reported when they are incurred.

Accounting Period

The period of time covered by the accounts, normally a period of twelve months, commencing on 1 April for local authority accounts. The end of the accounting period is the balance sheet date.

Accounting Policies

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- (i) recognising;
- (ii) selecting measurement bases for; and
- (iii) presenting assets, liabilities, gains, losses and changes to reserves.

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- (b) the actuarial assumptions have changed.

Accumulated Absences

Holiday entitlements (or any form of leave such as time off in lieu) earned by employees but not taken before the year-end which can be carried forward into the following year.

Appointed Auditors

These are the external auditors appointed by the Audit Commission. They may be from the Audit Commission's own operations directorate or from a major accountancy firm. The Council's current approved auditors are from the Audit Commission's own operations directorate.

Approved Institutions

Funds that are not immediately require may be invested but only with third parties meeting the credit rating criteria approved annually as part of the Council's Treasury Management Policies and Practices.

Arrears

Unpaid, overdue debts.

Audit of Accounts

An independent examination of the Council's accounts to ensure that the relevant legal obligations, accounting standards and codes of practice have been followed.

Balances

The capital or revenue reserves of an authority made up of the accumulated surplus of income over expenditure on the General Fund etc.

Business Rates

These are rates charged on properties other than domestic property. The business rate poundage is set annually by the government and is a flat rate throughout the country.

BVACOP

Best Value Accounting Code of Practice (BVACOP) is CIPFA's accounting recommendations for local authorities that legally constitute proper accounting practice, below the statement of accounts level.

Capital Expenditure

Expenditure on the acquisition of a non-current asset or expenditure which adds to and not merely maintains the value of an existing non current asset.

Capital Financing

The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, direct revenue financing, usable capital receipts, capital grants, capital contributions and revenue reserves. Broxbourne is debt free and does not borrow to meet capital expenditure.

Capital Receipt

The proceeds from the disposal of land and other assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government, but they cannot be used for revenue purposes.

Cash Equivalents

Cash investments which are held on deposit and are repayable on demand without financial penalty.

Cashflow Statement

A statement that summarises the inflows and outflows of cash within the Council's accounts.

CIPFA

Chartered Institute of Public Finance and Accountancy. The principal accountancy body dealing with local government finance.

Glossary of Financial Terms

Collection Fund

A separate fund maintained by a billing authority that records the expenditure and income relating to council tax and non-domestic rates, including the amounts raised on behalf of and paid over to Precepting Authorities.

Code of Practice on Local Authority Accounting (The Code)

The Code of Practice on Local Authority Accounting sets out the arrangements required to be followed in the Statement of Accounts. It constitutes 'proper accounting practice' and is recognised as such by statute.

Collection Fund Adjustment Account

This account holds the difference between the income (including accruals) held in the Income and Expenditure Account and the amount required by statutory regulation to be credited to the Collection Fund.

Community Assets

Assets that a local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Community Charge

A uniform annual amount paid by all adults for the three financial years from 1990/91 to 1992/93 who were solely or mainly resident in the registration area of a charging authority. Replaced by Council Tax.

Comprehensive Income and Expenditure Statement

An account which summarises resources generated and consumed in the provision of services for which the Council is responsible. Formerly known as the Income and Expenditure Account.

Consistency

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Contingency

A condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events

not wholly within the local authority's control.

Contingent Liability

A contingent liability is a possible liability arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the local authority's control.

Corporate and Democratic Core

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services. Activities include:-

- corporate policy making;
- representing local interests;
- support to elected bodies;
- duties arising from public accountability.

Council Tax

This is a local tax set by local councils to help pay for local services.

Creditors

Amounts owed by the Council for goods received or services provided before the end of the accounting period but for which payments have not been made by the end of that accounting period.

Current Assets

Assets which can be classified as; cash or cash equivalents, assets held primarily for the purposes of trading (e.g. inventories), or any asset which is expected to be realised within the next financial year.

Current Service Costs (Pensions)

The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.

Deficit

An excess of expenditure over income (or liabilities over assets).

Debtors

Amounts due to the Council before the end of the accounting period but for which payments have not yet been received by the end of that accounting period.

Deferred Capital Receipts

Capital receipts to be received by instalments over agreed periods of time.

Glossary of Financial Terms

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments in the scheme. The scheme may be funded or unfunded (including notionally funded).

Depreciation

The measure of the cost or revalued amount of the benefits of the non-current asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

Earmarked Reserves

These are reserves set aside for a specific purpose or a particular service, or type of expenditure.

Employee Benefits

Entitlements accrued by employees as part of their employment rights, e.g. annual leave (holiday), sick pay, and payments as a result of their employment being terminated before normal retirement age.

Estimation Techniques

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example

- methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in the period;
- different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

Events After the Balance Sheet Date

Events After the Balance Sheet Date are those events, favourable or unfavourable, that occur

between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expected Rate of Return on Pension Assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Extraordinary Items

Material items which derive from events or transactions that fall outside the ordinary activities of the authority and which are therefore expected not to recur frequently or regularly.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Finance Lease

A lease that transfers substantially all of the risks and rewards of a non-current asset to the lessee.

Financial Instruments

Any document with monetary value. Example securities such as bonds and stocks which have value and may be traded in exchange for money.

Financial Reporting Standard (FRS)

Financial Reporting Standards cover particular aspects of accounting practice, and set out the correct accounting treatment, for example, of depreciation. Compliance with these statements is mandatory and any departure from them must be disclosed and explained. The standards originated in the commercial sector and some are not directly relevant to local authority accounts.

Funding Basis

The basis, according to statute, on which the Council determines what resources are available to meet capital and revenue expenditure.

General Fund

The main revenue account of a charging authority. Day to day spending on services is met from the fund.

Glossary of Financial Terms

Going Concern

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

Government Grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, towards either revenue or capital expenditure incurred in providing local authority services.

Gross Carrying Amounts

Amount at which an asset is held in the Council's balance sheet

Housing and Council Tax Benefits

A system of financial assistance to individuals towards certain housing costs, which is administered by local authorities.

Assistance takes the form of rent rebates, rent allowances and council tax rebates toward which central government pays a subsidy.

Impairment

A reduction in the value of a non-current asset below its carrying amount on the balance sheet.

Income and Expenditure Account

An account which summarises resources generated and consumed in the provision of services for which the Council is responsible.

Infrastructure Assets

Non current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Intangible Assets

An asset that brings benefit for more than one financial year, that does not have physical substance but is identifiable and controlled by the owner (e.g. software licences).

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

International Financial Reporting Standard (IFRS) also International Accounting Standard (IAS)

International Financial Reporting Standards cover

particular aspects of accounting practice, and set out the correct accounting treatment, for example, of depreciation. Compliance with these statements is mandatory and any departure from them must be disclosed and explained. The standards originated in the commercial sector and some are not directly relevant to local authority accounts.

Inventories

The amount of unused or unconsumed inventories (stock) held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories:

- Goods or other assets purchased for resale;
- Consumable stores;
- Raw materials and components purchased for incorporation into products for sale;
- Products and services in intermediate stages of completion
- Long term contract balances; and
- Finished goods

Investments

The commitment of funds to purchase financial instruments or other assets in order to gain profitable returns in the form of interest, income, or appreciation of the value of the instrument.

Investment Property

Property which is held solely to earn rentals and/or for capital appreciation but not used for the purpose of service delivery.

Liabilities

Money owed to somebody else.

Market value/price

The amount at which an asset could be bought or sold on the open market.

Member

An elected councillor.

Net Book Value

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Glossary of Financial Terms

Net Realisable Value

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Non-current Asset

Any asset which is not regarded as a current asset.

Non Domestic Rates

These are rates charged on properties other than domestic property.

Officer

An employee of the Council.

Operating Lease

A lease other than a finance lease.

Operational Assets

Non-current assets held and occupied, used or consumed by a local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the authority.

Precept

The levy made by one authority on another. Hertfordshire County Council and Hertfordshire Police who do not administer the council tax system each levy an amount on the Borough of Broxbourne who collects the required income from local taxpayers on their behalf.

Prior Period Adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Property Plant and Equipment

Assets that have physical substance and are held for use in the provision of services.

Provisions

Provisions are sums set aside to meet any liabilities or losses which are likely to be incurred in the future but where there is uncertainty as to the amounts or dates on which they will arise.

Prudence

The concept that revenue is not anticipated but is recognised only when realised in the form either of

cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

Prudential Code

The Prudential Code, introduced in April 2004, sets out the arrangements for capital finance in local authorities. It constitutes 'proper accounting practice' and is recognised as such by statute.

Related Parties

Two or more parties are related parties when at any time during the financial period:-

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an authority include:-

- central government;
- local authorities and other bodies precepting or levying demands on the Council Tax;
- its subsidiary and associated companies;
- its joint ventures and joint venture partners;
- its members;
- its chief officers; and
- its pension fund.

Related Party Transaction

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of all benefits received other than in cash. Pension contributions payable by the employer are excluded.

Reserves

Amounts set aside to meet general items of future expenditure, without being earmarked for any particular service or project.

Glossary of Financial Terms

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Revaluation Reserve

An account containing any unrecognised gains or losses arising from the revaluation of non-current assets held by the Council. When assets are sold, the gain or loss on sale will be recognised in the Comprehensive Income and Expenditure Statement once all previous entries relating to unrecognised gains or losses have been removed from the accounts.

Revenue Contributions to Capital Outlay

The financing of capital expenditure directly from revenue.

Revenue Expenditure

The day to day running costs an authority incurs in providing services.

Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset.

Revenue Support Grant

A grant paid by the Government to councils, contributing towards the costs of their services.

Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Service Organisation (SO)

A separate trading unit which operates in a competitive environment and which consists of people directly employed by the authority.

Surplus

An excess of income over expenditure (or assets over liabilities).

Total Cost

The total cost of a service or activity includes all costs which relate to the provision of the service or to the undertaking of the activity.

Trading Operation

Services operating on a "trading" basis which, are financed by charges made to recipients of the services.

Useful Life

The period over which the authority will derive benefits from the use of a non-current asset.

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